Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.950	Iran	Rls210	Philippines	Pes40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh13	Switz	SFr2.70
Greece	Dr260	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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MINING IN PERU

Investors race for a foothold

Page 31

World News

Bonn recalls Kenya envoy as row with west deepens

Germany recalled its ambassador from Nairobi and the US is reviewing its ties with Kenya in a deepening row over western calls for more democracy. Kenya accused the US ambassador of having the attitude of a "slave-owner". Page 6

Libya sets up inquiry

Libya set up a judicial inquiry to investigate allegations that its agents carried out the Lockerbie bombing. The justice ministry in Tripoli said Judge Ahmed Taher al-Zawi would be seeking evidence from British and US legal authorities and families of the victims.

Miners fight police

Out-of-work Belgian miners pelted riot police with stones, bottles and ball bearings in Brussels, injuring 27 policemen. A strike by baggage handlers caused chaos at Brussels airport. Picture, Page 2

Worries over treaty

Initial signing of the treaty creating the 19-state European Economic Area was delayed after the European Court of Justice raised fresh worries about the impact on its own legal independence. Page 2

WEU deadlock broken

The nine member states of the Western European Union broke their diplomatic deadlock over when to define their role as a future "European defence identity", but failed to resolve the question of what it will look like. Page 2

Space plans delayed

Germany insisted on postponing for a year any decision to continue with Europe's ambitious manned space programme.

Polish tourists hurt

Polish tourists said Soviet riot police wielding batons attacked their buses as they waited at a border crossing. Six people were hurt.

Soviet air crash

Twenty people were killed, including the six-man crew, when a Soviet military transport aircraft crashed in bad weather at the Amderma air field on the polar Karskoe Sea.

Prince cleared of killing

Prince Victor Emmanuel of Savoy, the son of Italy's last king, was cleared by a French court of killing a German tourist shot during a harbour dispute 13 years ago.

Walesa decides

President Lech Walesa said his mind was made up about his next candidate for Polish prime minister. It is thought he may turn again to Jan Krzysztof Bielecki for whom he has already canvassed support. Page 3

Thai chief's pledge

Thailand's army chief said he and the other officers who staged the February coup would not accept the premiership or other cabinet posts after next year's elections. Page 6

Refugees find haven

The governments of Trinidad and Tobago and of Belize have agreed to provide a temporary home for 520 Haitian refugees refused admission into the US. Washington said later it was sending almost 2,000 Haitians back home.

Drug ring smashed

Spanish police seized about 1,500lb of hashish with a street value of $20m and smashed a drug trafficking ring between Morocco and Barcelona. Three men were held.

Gustav Husak dies

Gustav Husak, who led Czechoslovakia's communist regime until the revolution two years ago which restored democracy, died in hospital, aged 78. Obituary, Page 3

Business Summary

France raises key rate by half point to defend franc

The Bank of France raised its key intervention rate by half a percentage point in an effort to defend the franc only a month after lowering rates to stimulate the economy.

The increase, which took the markets by surprise, brings the intervention rate to 9.25 per cent. The French central bank also raised its repurchase rate, its other main money market rate, by a quarter of a percentage point to 10 per cent. Page 20; The prize for French virtue, Page 18

BAA: Shares in BAA, the UK airports operator, surged 5 per cent to close at a record 476p on the highest daily turnover since its flotation. Investors were encouraged by its improved prospects on the Civil Aviation Authority's new pricing formula for traffic charges. Airport plans clear for take-off, Page 12; Lex, Page 20; Results, Page 22; London stocks, Page 33

MATSUSHITA: Profits at Japan's largest consumer electronics company suffered from the $6.1bn acquisition of MCA, the US entertainment company, and the higher value of the yen. Page 21; Electronics sector backed, Page 2

PHILIPS, Dutch electronics group, will invest $66m in forging a business relationship with Blockbuster Entertainment of the US. Page 21

ROBERT MAXWELL: The Serious Fraud Office and the City of London Police started a formal investigation of a private company controlled by the family of the publishing magnate who died a fortnight ago. Page 21

VIRGIN GROUP denied it was on the point of selling its record business to Thorn EMI, the UK music, rentals and lighting company. Page 21

HYUNDAI GROUP: Chung Ju Yung, founder and honorary chairman of one of South Korea's largest conglomerates, said that his family and group subsidiaries are unable to pay record penalty taxes of won 136.1bn ($181m). Page 20

SOVIET DEBT: Republican and Group of Seven representatives began talks on the Soviet Union's foreign debt in an effort to secure agreement between the republics on debt servicing. Page 3

JAPANESE BANKS suspended business during October with 944 companies owing a total of Y508.9bn ($3.9bn), an increase of 540 per cent in outstanding debt on the same month last year. Page 6

SG WARBURG: Pre-tax profits at the leading UK investment bank bounced up with the stock markets in the first six months of its latest financial year, rising by a third compared to the depressed first half of 1990. Page 28

MORGAN CRUCIBLE, industrial materials manufacturer, announced the acquisition of three US groups for £31.7m ($55.4m) bought to further its strategy of expanding into niche markets. Page 29

BABCOCK International, engineering contractor and manufacturer, continued to prove its recession resilience with an 11 per cent pre-tax profit increase, from £21.4m to £23.7m, in the six months to September 30. Page 29

SEDGWICK Group: Reductions in insurance rates in the US and the weakness in the dollar led to a fall in profits at the international insurance broker. It reported a 5.7 per cent drop, from £78.5m to £74m pre-tax, for the nine months to 30 September. Page 28

SCAPA GROUP, UK manufacturer of specialist products for the paper and printing industries, has agreed to pay £27.3m for Scandiafelt, one of its Swedish competitors. Page 29

UN secretary general is offered release of remaining captives by Christmas

Hostages Waite and Sutherland freed in Beirut

By Jimmy Burns and Roger Matthews in London and **Hugh Carnegy** in Jerusalem

Released: hostages Terry Waite (left) and Thomas Sutherland

MR TERRY WAITE, the archbishop of Canterbury's special envoy, and Mr Thomas Sutherland, one of the hostages he was trying to free when he was kidnapped in Beirut, were released yesterday.

Mr Waite, looking pale and thin, said his kidnappers told him the three remaining American hostages would be freed by the end of this month.

At a press conference in the Syrian capital of Damascus, Mr Waite said he and Mr Sutherland had been chained to the walls of their cell for the past five years.

He said they were given only a few hours' notice of their release. Their abductors told them: "We apologise for having captured you." One of them said: "We recognise now that this was a wrong thing to do, that holding hostages achieves no useful, constructive purpose."

Mr Waite was held for 1,763 days and Mr Sutherland, an academic at the American University of Beirut, for 2,353 days by the radical Moslem group Islamic Jihad.

- The hostages who wait;
- Waite's release revives Iran-Contra questions;
- Home in the Rockies awaits Sutherland;
- Extremists adapt to new climate; Page 7
- Observer; Page 18

A Royal Air Force transport yesterday flew to the Syrian capital from Cyprus with Mr Waite's brother David and a medical team. He was expected to be flown to the UK later today.

Last night, Mr Javier Pérez de Cúellar, the UN secretary general, said he had been offered the release of the remaining western hostages by Christmas.

Mr Waite said the kidnappers told him Joseph Cicippio and Alann Steen would be released within five days and that Terry Anderson would follow by the end of the month.

Mr Sutherland said that Mr Anderson, the longest-held American hostage, "is no longer chained to the wall, thank God. But he's still in his cell where there is little fresh air and no light whatsoever."

Lord Runcie, the former archbishop of Canterbury who sent Mr Waite to negotiate with the kidnappers nearly five years ago, said he had never lost faith that his envoy would return alive. I am "delighted and thrilled", he said.

Mr Waite was seized in Beirut on January 20, 1987, while seeking to negotiate freedom for other western hostages. Mr Sutherland, born in Scotland but a US national, was dean of agriculture at the university and was kidnapped on June 9, 1985, when gunmen attacked his car as he drove in a convoy from Beirut airport.

The only hostage to have been held longer is Mr Terry Anderson, the American journalist, who is now the sole remaining prisoner of the Iranian-influenced Islamic Jihad. Five other westerners are held by other extremist groups in Lebanon.

The release of Mr Waite and Mr Sutherland is a personal triumph for Mr Pérez de Cúellar, and provides further evidence of the desire by the Iranian leadership and by Syria to improve relations with western countries.

Both countries have been accused in the past of assisting international terrorist groups. In confirming the offer of further hostage releases, Mr Pérez de Cúellar said yesterday: "That is what I have been offered by the groups, as well as by the Iranian government, which has always given me very strong support, as has the Syrian government.

A State Department spokesman in Washington said his government thanked all those who had worked for the release of the hostages, specifically the UN, Syria, Iran and Lebanon.

It was the first double release since Islamic Jihad called in Mr Pérez de Cúellar in August to end the seven-year-old hostage saga.

Three westerners – Americans Edward Tracy and Jesse Turner and Briton Jack Mann – have since come out of captivity.

World stock markets resilient but $ heightens EMS tension

By Our Economics and Markets Staff in London and New York

THE threat of a global equity market crash receded yesterday as the widespread selling of stocks many had feared after Friday's big fall on Wall Street failed to materialise.

Markets in Japan and Europe absorbed the punishment inflicted by Friday's plunge in US share prices without registering panic selling. By last night in New York the equity markets had achieved a near 30-point gain in heavy but volatile trading after an uncertain start.

Wall Street's earlier problems encouraged a flow of funds into the D-Mark, weakening the dollar, and heightening tensions in the European Monetary System. The Bank of France was forced to raise interest rates yesterday while the British pound fell to the bottom of the EMS exchange rate mechanism.

- UK retail sales fall; Page 12
- An intimation of Bush's mortality; Editorial comment; Page 18
- France cuts key interest rate to defend franc; Lex; Page 20
- London stock exchange; Page 33
- Currencies; Page 40
- World stock markets; Back Page, Section II

Sentiment in New York was buoyed by attacks from the White House on Congressional attempts to limit the interest rates banks can charge customers on their credit cards.

European analysts said Friday's 120.31 decline in the Dow Jones Industrial Average was a reaction to specific US problems rather than a symptom of a global malaise in equity markets. Rejecting suggestions that the world was primed for a rerun of the 1987 market crash, they pointed out that US shares looked overvalued in the light of the growing gloom about the US economic outlook.

Traders in Europe marked down shares savagely in early morning dealing after equities in Tokyo had fallen by nearly 3 per cent. But there was no panic selling in European trading and bargain hunting at the lower levels caused equity prices to stage a partial recovery before moving erratically in line with Wall Street after New York markets opened.

The Dow Jones index eventually closed up 29.52 at 2,972.72 and the Standard & Poor's 500, the broader measure of market performance, up 2.62 at 385.24. The selling pressure on the secondary market was stronger, but a late recovery helped the Nasdaq composite of stocks end up 3.44 at 534.73.

Traders in New York attributed the market resilience to US fund managers selling smaller stocks and buying the big, established blue-chip shares, which are traditionally seen as a safer haven during periods of market volatility.

At the close of European trading, Friday's 3.9 per cent fall in the Dow Jones had been

Continued on Page 20

White House rejects credit-card rate cap

By Lionel Barber in Washington

THE White House stepped up efforts yesterday to kill moves to impose a cap on credit-card interest rates, predicting flatly that the measure would not pass Congress.

The White House statement marked a further retreat from President George Bush's call last week for lower interest rates for credit-cards, and signalled official determination to calm the stock market after Friday's 120-point drop.

The battle over credit card rates has put the administration in a dilemma. Although it opposes rate caps as an artificial means of allocating credit, it remains wary because of the proposal's popularity.

Mr Bush last week signalled he wanted to see lower credit-card interest rates. But he and the White House believe markets should set interest rates and oppose the imposition of an artificial legislative cap.

Mr Nicholas Brady, Treasury secretary, deliberately avoided making a veto threat at the weekend, saying it might encourage Congress to pass a bill. This view is shared by other advisers who want to prevent Mr Bush being pushed into making a politically painful decision to veto.

The Democratic majority in the House of Representatives and Senate have employed similar pressure tactics in recent weeks, notably by passing legislation which extended unemployment benefits for millions of Americans. Mr Bush eventually signed the bill.

The White House response yesterday was to describe moves to cap credit card interest rates as "elitist", since only

Continued on Page 20

Hard-line Croats refuse to surrender in Vukovar

By Laura Silber in Belgrade, **Quentin Peel** in Bonn and **Judy Dempsey** in London

THE Serb-dominated federal army of Yugoslavia yesterday gained control over most of the Croatian town of Vukovar following one of Europe's longest sieges since the Second World War.

Pockets of resistance remained as fresh diplomatic moves aimed to secure safety for humanitarian and relief organisations.

During a meeting in Bonn of foreign ministers of the nine-member Western European Union, Britain, Italy and France, agreed to allow naval ships to be used to create "humanitarian corridors" for the war-torn regions of Yugoslavia.

The move, approved by the whole organisation, amounts to the most substantial joint operation yet planned and agreed by the WEU.

"A political decision was made that if the International Committee of the Red Cross wanted the WEU to get involved, it will," an official said.

Britain and Italy said they had ships available if needed. A Foreign Office official in London said Fearless, the Royal Navy's 12,000 ton amphibious assault vessel, was already in the Adriatic.

In Zagreb, officials remain concerned about the safety of Vukovar's 14,000 inhabitants, which include 2,000 children.

Croatian radio said they could be massacred by Serb reservists and nationalists, but federal army officials yesterday rejected this possibility.

Eye witnesses in Vukovar reported that several hundred members of the Croatian National Guard had defied an order to surrender from Mr Mile Dedakovic, their commander during the entire siege.

They said they had bunkered down in the fortified Mitnica quarter of the town centre with their remaining weapons and ammunition, prompting fears that the federal army and Croatia's hardest of soldiers would fight to the bitter end.

The fall of Vukovar is a significant victory for the federal army which has been frustrated by its inability to capture the town, large parts of which have been reduced to piles of rubble.

It is a serious set-back for Mr Franjo Tudjman, the president of Croatia. Officials in Zagreb said they were uncertain if Croatian forces could defend other towns in Slavonia, eastern Croatia.

Mr Cyrus Vance, the United Nations special envoy to Yugoslavia, yesterday held talks with President Slobodan Milosevic of Serbia, who until recently opposed the sending of any UN peace-keeping forces.

Mr Milosevic said after the talks that "great progress had been made on the deployment of peacekeeping troops in Yugoslavia".

"It is evident the UN has the best intentions to establish peace as soon as possible in Yugoslavia," he said.

Picture, Page 20

CONTENTS

BAA gets clearance for Heathrow airport projects

Sir John Egan, BAA's chief executive, has welcomed the pricing formula agreed with the UK Civil Aviation Authority, which he says will allow BAA to invest £1bn in London's Heathrow airport Page 12

MARKETS

STERLING
New York:
$1.78935 (1.785)
London:
$1.7905 (1.789)
DM2.8775 (2.8975)
FFr9.835 (9.9075)
SFr2.555 (2.57)
Y231.75 (229.75)
£ Index 91.3 (91.2)

GOLD
New York Comex Dec
$361.5 (360.1)
London:
$361.1 (355.9)

N SEA OIL (Argus)
Brent 15-day Jan
$21.275 (21.425)

Chief price changes yesterday: Page 21

DOLLAR
New York:
DM1.6115 (1.619)
FFr5.505 (5.5345)
SFr1.4303 (1.4355)
Y129.635 (129.35)
London:
DM1.607 (1.638)
FFr5.4925 (5.6)
SFr1.427 (1.452)
Y129.4 (129.9)
$ Index 62.8 (63.6)
Tokyo close: Y128.93

US CLOSING RATES
Fed Funds: 4¾% (4⅞)
3-mo Treasury Bills:
4.698% (4.679)
Long Bond:
101¾ (102$\frac{1}{16}$)
yield: 7.842% (7.815)

STOCK INDICES
FT-SE 100:
2,502.9 (−43.7)
FT-A All-Share:
1,208.01 (−1.7%)
FT-SE Eurotrack 100:
1,084.16 (−25.11)
FT-A World Index:
145.46 (−0.5)
New York:
DJ Ind. Av.
2,972.72 (+29.52)
S&P Comp
385.25 (+2.63)
Tokyo: Nikkei
23,400.12 (−699.06)

LONDON MONEY
3-month interbank:
10$\frac{17}{32}$% (10$\frac{13}{32}$)
Liffe long gilt future:
Dec 95$\frac{3}{32}$ (95$\frac{5}{16}$)

WEU agrees to define role at Maastricht

By Quentin Peel in Bonn

THE nine member states of the Western European Union (WEU) yesterday broke the diplomatic deadlock over when to define their role as a future "European defence identity", but failed to resolve the question of what it will look like.

They agreed foreign ministers will discuss the WEU's role in the next three weeks during the negotiations over European political union which lead up to the EC summit in Maastricht.

The plan means a WEU declaration on its future role should be ready to be attached to the European treaty, instead of left until later, as France and Germany preferred. But the text is unlikely to be finalised until the last minute, to give heads of state and government in Maastricht the final say on how the future European defence role relates to the EC and Nato. That falls short of the UK desire to have a text ready in advance.

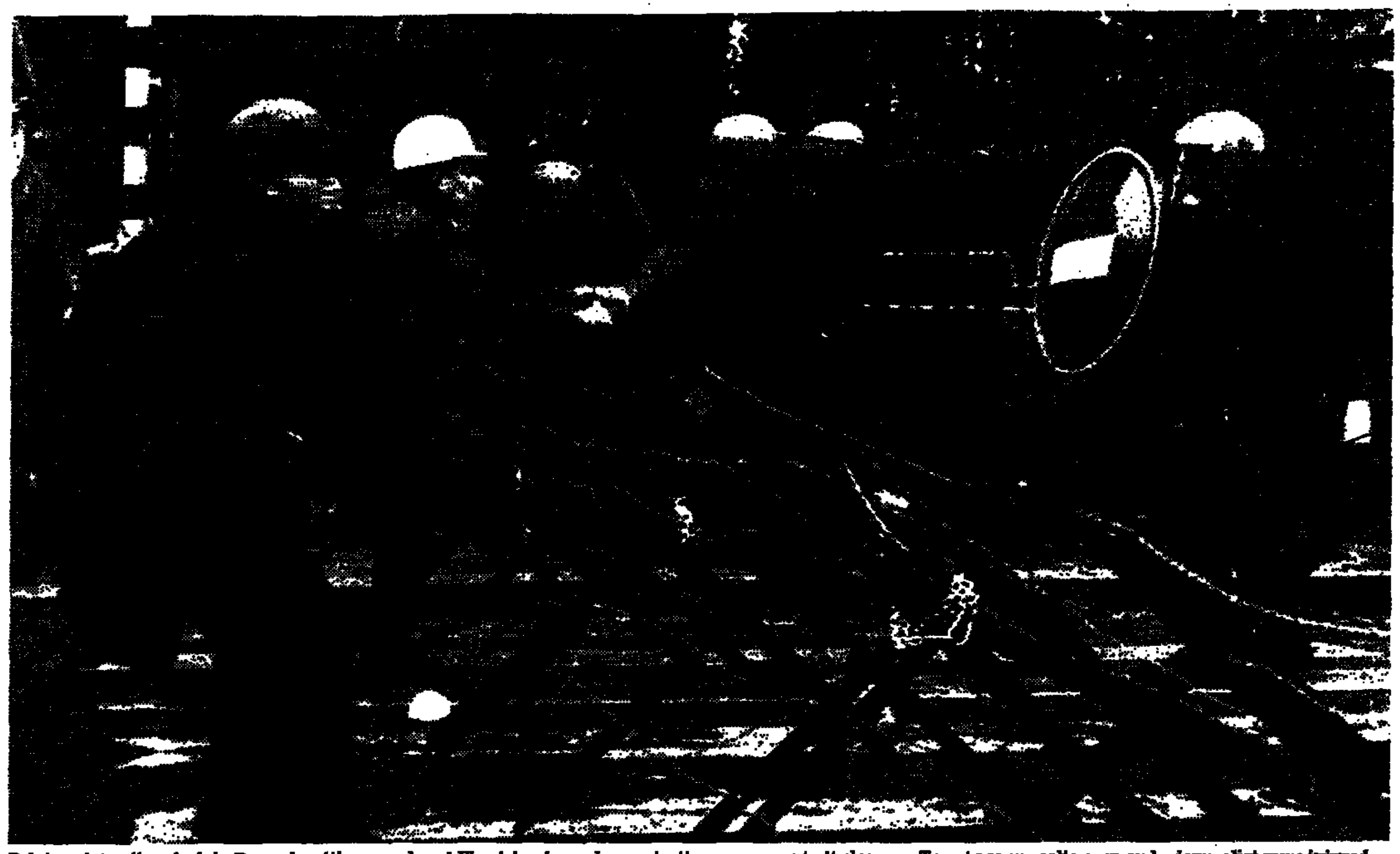
"There was a clear rapprochement of positions today," Mr Hans-Dietrich Genscher, the German foreign minister, said. Officials would now draft a declaration, but "the final decisions will have to be taken at Maastricht, subject to unanimous voting".

The next debate will be at the EC foreign ministers' conclave on December 2, when Mr Genscher will decide if they should convene an extraordinary WEU ministerial meeting.

The procedural compromise clears the way for a deal, but senior officials confirmed the two sides are still far apart on issues of substance. The position of France and Germany is that the WEU should be brought clearly under the umbrella of the EC, through European political union. Britain and the Netherlands fear that could undermine Nato, and want the organisation to remain more of a bridge between Nato and the EC.

The compromise would still let France block progress on a WEU declaration until the last minute, but the UK says that if no declaration is agreed, no defence element will be agreed in the Maastricht treaty either.

● The WEU member states also agreed to call a "consultative meeting" with the east European countries to discuss their future relations.



Belgian riot police clash in Brussels with unemployed Flemish miners demonstrating over recent pit closures. Twenty-seven policemen and a journalist were injured

Havel in federal initiative

By Ariane Genillard in Prague

CZECHOSLOVAK President Vaclav Havel is seeking greater powers which will allow him to dissolve the federal parliament and call for early elections, if the politicians from the country's two republics fail to reach agreement over the 73-year-old federation's future status.

Mr Havel's initiative comes after a year of fruitless negotiations between leaders of the Slovak and the Czech republics.

Politicians from the Slovak republic, which holds a third of the country's population, have repeatedly threatened to boycott the federal system if greater state powers are not devolved to the republic.

Fears of a split culminated last week after Czech politicians rejected a proposal by Mr Havel in which federal powers would be greatly diminished.

Amendments to the constitution, to be presented to the federal parliament early next month, would allow the president to dissolve parliament and rule by decree until new elections take place. The amendments would also allow the president to call a referendum. Opinion polls suggest the majority of both Slovak and Czech people want to remain within a common state.

ESA plan for new members

By Clive Cookson, Science Editor, in Munich

EUROPEAN ministers were last night on the verge of accepting a German proposal to open their main space programmes to collaboration with the Soviet Union and Japan.

At the end of the first day of the European Space Agency ministerial meeting in Munich, it was clear most of the 13 ESA members had accepted Germany's view that another conference in late 1992 will have to decide whether to continue with Europe's ambitious manned space programme.

During the coming year ESA officials will review the agency's two flagship projects – the Hermes space plane and Columbus, Europe's addition to the US-led Freedom space station – and look for ways to reduce the costs to ESA members, by bringing in new participants and/or by reducing their scope. Mr Claudio Aranzadi, the meeting's Spanish chairman, said other countries had backed the call of Mr Heinz Riesenhuber, the German technology minister, to "consider the opportunity for worldwide co-operation".

Mr Aranzadi said ESA had to respond to the "radical political and economic changes" since its last ministerial meeting four years ago, which set European "autonomy" in space as the agency's long-term goal.

Germany believes that the Soviet Union, whose own space programme is collapsing as a result of the country's disintegration, has worthwhile technology to offer ESA – technology that was not available in 1987. And Japan, which has a fast-growing independent space programme, might be tempted to make a financial and technical contribution. Ministers at the conference are expected to decide on the collaboration idea today or tomorrow.

The German government insisted yesterday that the financial pressures on its budget as a result of reunification – combined with the rising costs of Hermes and Columbus – would not allow it to proceed with the projects as they stand. Hermes is already 40 per cent over its original cost estimate of Ecu4.4bn ($5.5bn) and its scheduled first launch has slipped from 1998 to 2002.

France, the most enthusiastic proponent of the European space effort, had wanted this week's meeting to approve the second phase of Hermes and Columbus and move ahead to full-scale manufacturing.

But French officials were obliged to go along with Germany's proposal to review both projects and postpone a decision on their future.

Bundesbank warns over social security

By Andrew Fisher in Frankfurt

THE Bundesbank yesterday warned that proposed increases in German social security charges could encourage higher wage rises and make it harder for the central bank to carry out stable monetary policies.

It could also discourage saving and investment, thus impairing economic growth, the bank said in its monthly report.

The costs of German unity are already putting a great strain on the country's social resources, with an expected deficit in the social security system of nearly DM20bn (£6.9bn) next year after a DM15bn surplus in 1991, the Bundesbank said.

Greater social security charges, which could arise from new policies like the proposed insurance scheme for care of the elderly, would put up the non-wage element of labour costs and reduce disposable incomes.

West German companies already bear the highest social security costs among major industrial countries, the Bundesbank noted.

● German banking employers yesterday rejected a 10.5 per cent pay demand from their 430,000 workers and refused to discuss cuts in hours, adds Christopher Parkes in Bonn.

They told officials of the HBV and DAG white-collar unions at the first negotiating round for the 1992 wage awards that they should come back to the next meeting on November 28 with a request which showed they had recovered their sense of proportion.

The unions had asked for increased education allowances and a phased reduction from 39 to 35 hours in the working week as well as the across-the-board pay rise.

Mr Hans Georg Stritter, chief negotiator for the HBV union, criticised the employers' unyielding position and pointed out that results for the first half of the current year showed the country's three biggest banks' profits had improved substantially. Profits at Commerzbank were up 17.2 per cent, compared with an 11.5 per cent advance at Deutsche Bank and 9.7 per cent at Dresdner Bank.

● Germany's trade account in September was not in deficit after all, the Federal Statistics Office said. Revised figures showed a surplus of DM1.6bn instead of a deficit of DM285m; the difference arising from a previous over-counting of imports. September's current account deficit was revised from DM3.4bn to DM1.5bn.

Euro-MPs split over Brussels' HDTV plan

By Andrew Hill in Brussels

MEPs seemed split last night over whether the European Commission's plan for the development of high-definition television would maintain European industry's head-start in the area, or merely provide back-door subsidies to ailing electronics companies.

The deputies – debating draft legislation on HDTV for the first time in a full Strasbourg session – will vote on about 30 amendments later today, or tomorrow, depending on the weight of other business.

The Commission's proposed legislation would impose a single standard, called D2-Mac, for all new satellite broadcasts, as an intermediate step towards a full high-definition television standard, HD-Mac. But it was not clear from the late-night debate whether MEPs would back a more relaxed approach advocated by their industrial committee.

Broadcasters and satellite operators, which use other transmission standards, have attacked the Commission's proposals for being too restrictive. On the other hand, large EC electronics companies want narrow technical standards imposed, because they have invested heavily in D2-Mac technology.

The parliament's environment committee has called for the withdrawal of the directive, which would be accompanied by payments of up to Ecu1bn ($1.25bn) over five years to encourage conversion to D2-Mac. Mr Hemmo Muntingh, the Dutch socialist MEP who compiled the committee's report, condemned the directive as no more than "a subsidy for a few companies which have invested in the wrong area".

Mr Filippo Maria Pandolfi, the embattled EC telecommunications commissioner, has promised to produce an amended HDTV strategy for Community telecommunications ministers when they next meet on December 5.

Existing EC legislation on satellite broadcasting standards expires at the end of the year and the short deadline may persuade Mr Pandolfi that he should take up some of the MEPs' suggestions.

The commissioner has already ruled out drafting a completely new directive.

Twelve make pledge on electronics

EC industry ministers yesterday promised support for Europe's electronics companies but stopped short of endorsing direct subsidies for the sector, which faces strong Japanese competition, writes Andrew Hill.

They approved a resolution listing means of improving "the business environment" in the computer and electronics industry and asking Brussels to set up an information exchange centre. They remain divided, however, on the question of a Community-wide industrial policy.

Mr Dominique Strauss-Kahn, the French industry minister, said the resolution indicated that the Community ought to favour links between electronics companies and look kindly on state aid for companies "where profitability is not immediate".

Britain – which is strongly opposed to any direct or indirect subsidies for ailing industries – said the resolution was acceptable because it was so vaguely worded.

● Mr Strauss-Kahn said the Commission had agreed to submit a report on the internal market in cars to the next meeting of industry ministers in the first half of 1992, following the July agreement on Japanese car imports.

Stockholm to track EC economic course

By Robert Taylor in Stockholm

SWEDEN'S economic policies from now on will be decided by the country's eventual integration into whatever European economic and monetary union is agreed by next month's EC summit. This was the clear message from Mr Carl Bildt, the prime minister, in a speech to a conference yesterday.

He said Sweden was determined to converge its economy "with the best-performing economies of the emerging Emu in all respects considered crucial to the functioning of that union". At present Sweden "fits in well with the rules of convergence discussed within the EC," he added. "We seem to fit better than most of the present Community."

Sweden intended to put the krona into the exchange rate mechanism of the EMS "at the earliest opportunity", said Mr Bildt. He hoped this would be possible once Brussels had given the green light for negotiations to start on Sweden's EC application "no later than the very beginning of 1993".

Central bank governor Mr Bengt Dennis said the four criteria laid down by the Emu draft for EC members as they entered the third stage of Emu and adoption of a single currency would decide Swedish monetary and fiscal strategy.

These were price stability, with inflation not exceeding the three best EC performers by more than 1.5 per cent during 12 months; no excessive budget deficits; two years of no severe exchange-rate tensions and respect for the narrow fluctuation margins provided by the ERM; and nominal long-term interest rates during 12 months not to be more than 2 per cent higher in the three countries with the lowest inflation.

Mr Bildt said Sweden would have converged with the best three performers by 1995.

"I don't think the EC has ever been presented with an applicant country which can fit so easily into the established framework of co-operation as Sweden can," he added. "One sometimes hears the opinion expressed inside the EC, that Sweden is even more in line with Community policies than some EC members are."

For his part Mr Dennis warned that Sweden's budget deficit, expected to be SKr48bn ($8bn) this year after a budget surplus in 1990 of SKr25bn, could cause "immense strains".

Bonn seeks investors for transport projects

By Christopher Parkes in Bonn

THE GERMAN government is examining ways of injecting private capital into the national transport network: ideas under review include private finance for roads, the sale of land not needed by the Bundesbahn federal railway service, and privatisation of some bus services.

The transport ministry said yesterday that it had asked three leading finance groups to investigate the feasibility of private financing for four road projects. The Bayerische Landesbank, Deutsche-Anlagen Leasing and Deutsche Immobilien-Leasing are expected to report their findings at the end of this week, the ministry said.

Officials stressed that no decision had yet been taken on private participation in transport infrastructure. A cabinet meeting early next month was expected to decide whether to proceed, after which further projects for roads and railways could be named.

The government faces an estimated bill of DM280bn ($170bn) by the end of the decade for essential infrastructural repair and extension work, mostly in the east of the country. However, public resources are stretched to the limit, and other means of financing have to be found. Economic recovery in the east is severely constrained by poor communications.

An expert committee recently reported to the government that there were no legal obstacles to private participation, and ministers have lately been testing reactions to the idea of privatisation.

Community judges query pact on economic area

By David Buchan in Brussels

INITIAL signing of the treaty creating the 19-state European Economic Area (EEA) was delayed yesterday, after the European Court of Justice raised fresh worries about the treaty's impact on its own legal independence.

The EEA, which will effectively extend the Community's single market to the seven members of the European Free Trade Association (Efta), was due to be initialled yesterday, a preliminary step before full signature by ministers. But over the weekend, the EC Court sent the Brussels Commission a series of questions, now to be discussed by the various EC institutions at a special meeting on November 28.

The court's chief concern is about its own relationship to the EEA Court. This body, composed of five EC and three Efta judges, is to rule on disputes arising out of the EEA treaty. But the EC Court of Justice has always insisted it must have full independence on how it interprets EC laws, which will also form the core of EEA legislation.

It is now apparently anxious that this independence of the full bench of 13 EC judges could be prejudiced by whatever stand its five representatives take on a given issue in the EEA panel.

● Hungary's desire to protect its fledgling car and banking sectors from future EC competition is holding up Community association agreements with Budapest as well as with Poland and Czechoslovakia.

EC officials yesterday expressed the hope that the association accords would be "initialled" with all three central European states by the end of this week. But they did not rule out the possibility that Brussels would conclude deals with Warsaw and Prague alone.

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G7 gives Soviet republics until today to agree on debt

By Leyla Boulton in Moscow

REPRESENTATIVES of the Group of Seven richest industrial nations yesterday told Soviet republics they must agree on dividing responsibility for the Soviet Union's foreign debt by today, before the departure of the G7 team now in Moscow.

The latest ultimatum came at a closed session with republic and Soviet leaders, where the G7 deputy finance ministers said a western package to help the Soviet Union cope with mounting debt service difficulties was conditional upon an effective agreement "jointly and severally" to assume responsibility for a debt. This means that if one or more republics cannot keep up payments into a centralised fund for debt servicing, then the others cover for it.

The financial assistance package tentatively agreed by the G7 to prevent the Soviet authorities from defaulting involves two parts. The first is a deferral of the principal owed to Paris Club creditor states for the rest of 1991 and the first quarter of 1992. This in itself amounts to relief of more than $1bn of the foreign debt variously calculated at between $60bn and some $80bn. The second part is a $1bn bridging loan from the Bank for International Settlements, with Soviet gold reserves as collateral.

This is the first trip to Moscow by G7 deputy finance ministers since the end of last month, when they extracted an undertaking from the 12 republics to share responsibility for the debt. Since that meeting, however, the republics have been unable to finalise an accord to share out Soviet assets and determine exact percentages of the debt for which they will be responsible.

Meanwhile, confusion reigns over the consequences of weekend decrees by President Boris Yeltsin abolishing in Russia a central government tax to service the debt and depriving Gosbank, the central bank, of its remaining power – namely of its authority over rouble printing presses and its right to set exchange rates.

Officials at Vnesheconombank, the bank which services the foreign debt, said they had received no official notification of Mr Yeltsin's decision to abolish the levy which compels exporters to sell 40 per cent of their hard currency revenues to the bank at the artificially low rate of Rbs1.7 to the dollar.

As for a separate presidential decree taking control of the production of diamonds, gold and other precious metals on Russian territory, Mr Evgeny Bichkov, an official responsible for supervising the use of Soviet reserves of gold and diamonds, said his committee was being transferred to the Russian Finance Ministry. "The reserves will still be called union reserves but we will look after them (in Russia)," he said in an interview.

Walesa hints at choice for premier

By Christopher Bobinski in Warsaw

PRESIDENT Lech Walesa said yesterday his mind was now made up about his next candidate for Polish prime minister.

That could mean he will turn again to Mr Jan Krzysztof Bielecki for whom he has already canvassed support. Mr Bielecki, from the free market Liberal Democratic Congress party and presently premier, won 115,000 votes in his Warsaw district, the highest poll amassed by any individual candidate in last month's election.

It is three weeks since the inconclusive election, and the so far fruitless search for a premier who can command Mr Walesa's confidence as well as *a majority* in *Parliament is* being closely watched by institutions like the International Monetary Fund anxious to start talks on next year's economic performance criteria.

President Walesa, for his part, has shown he wants a government which will eschew inflationary temptations. His problem is that parties which won a majority of seats in parliament had promised reflationary policies as a way of halting Poland's recession.

Meanwhile, five parties, including Mr Bielecki's KLD, controlling around 200 seats in the 460-seat Sejm have suggested that Mr Walesa accept Mr Jan Olszewski for premier. Mr Walesa has been loathe to do this as Mr Olszewski is most closely linked to the Centre Agreement, a moderate Christian Democrat grouping which is in sharp conflict with the president over his resistance to the installation of a centre-right government.

Hungary's oil fears grow as Russia decrees export curb

By Nicholas Denton in Budapest

HUNGARY'S oil supplies, already disrupted by the civil war in neighbouring Yugoslavia, are further clouded by Russian President Boris Yeltsin's decree curtailing oil exports.

The Russian move came as efforts to secure a renewal of supplies through the Yugoslav section of the Adria pipeline appeared increasingly hopeless. The pipeline, which transports oil from Yugoslavia's Adriatic coast to Hungary and Czechoslovakia, provided the landlocked countries' only viable alternative to Soviet oil until it was blocked by Serbian irregulars in September.

Any decline in Russian supplies would accelerate the drain on Hungary's oil reserves. When the Adria pipeline seized up in September, Hungary had only 45 days of crude oil and refined product reserves. Budapest officials, while admitting the safety margin has narrowed dangerously, have declined to give precise figures.

Hungarian officials remain unsure of the effect of the Russian declaration on oil trade. It is not clear whether Russia's move is directed at other Soviet republics or at exports in general. Moreover, much of Hungary's oil imports are through western third parties which are likely to be least affected.

Hungary could import oil by truck or from late next year by river from Rotterdam, Mr Bela Kadar, minister of international economic relations, said. But road and rail delivery would raise import costs.

Christopher Bobinski adds from Warsaw: Polish trade officials believe that President Yeltsin's curb on oil exports is aimed at supplies to the Soviet republics and will not affect exports to non-Soviet markets such as Poland which pay in hard currency. Poland has already received 5.9m of the 6-7m tonnes of Soviet oil contracted for this year and last week Poland accepted an offer from Soyuzneftexport, the Soviet oil trader, for spot delivery of an extra 100,000 tonnes.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-October 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Oct 91	Share (%) Jan-Oct 90
TOTAL MARKET*	11,801,000	+1.8	100.0	100.0
MANUFACTURERS:				
Volkswagen**(incl. Audi,SEAT&Skoda)	1,927,000	+7.2	16.3	15.5
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,501,000	−8.6	12.7	14.2
General Motors (Opel/Vauxhall, US# & Saab)	1,431,000	+3.8	12.1	11.9
– Opel/Vauxhall	1,373,000	+4.1	11.6	11.4
– Saab**	44,000	−11.2	0.4	0.4
Ford (Europe, US# & Jaguar)	1,424,000	+6.0	12.1	11.6
– Ford Europe	1,410,000	+6.6	11.9	11.4
– Jaguar	11,000	−33.7	0.1	0.1
Peugeot (incl. Citroën)	1,385,000	−7.2	11.7	12.9
Renault††	1,183,000	+4.0	10.0	9.8
Mercedes-Benz	397,000	+7.4	3.4	3.2
Nissan	394,000	+16.5	3.3	2.9
BMW	353,000	+12.1	3.0	2.7
Toyota	322,000	+0.9	2.7	2.8
Rover†	303,000	−11.8	2.6	3.0
Mazda	260,000	+5.0	2.2	2.1
Mitsubishi	175,000	+13.1	1.5	1.3
Volvo††	171,000	−16.4	1.5	1.8
Honda†	151,000	+6.8	1.3	1.2
Total Japanese	1,493,000	+8.8	12.6	11.8
MARKETS:				
Germany*	3,728,000	+38.6	31.6	23.2
Italy	2,001,000	−1.0	17.0	17.4
France	1,701,000	−13.0	14.4	16.9
United Kingdom	1,433,000	−21.6	12.1	15.8
Spain	747,000	−11.9	6.3	7.3

*Includes eastern Germany since July 1990.
#Cars imported from US and sold in western Europe.
**VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

W Europe car sales fall as German demand weakens

By Kevin Done, Motor Industry Correspondent

NEW car sales in western Europe fell by 7.5 per cent in October to 1.073m, largely due to significantly lower demand in Germany.

According to industry estimates, western European new car sales in the first 10 months at 11.801m were 1.8 per cent higher than a year ago. Registrations have been lower than a year ago in each of the last three months, however.

The surge in German new car sales – fuelled by unification – which has been the main prop to demand this year, is abating, while key markets elsewhere, such as the UK, remain in deep recession.

Excluding Germany, sales in western Europe in the first 10 months at an estimated 8.073m were 9.3 per cent lower than in the corresponding period a year ago.

New car sales in Germany, including eastern Germany since July 1990, jumped by an estimated 38.6 per cent in the first 10 months to 3.726m. But since August German demand has been falling and, in October alone, German registrations at an estimated 301,000 were some 10.3 per cent lower than a year ago.

The opening up of eastern Germany has provided car makers with an additional market larger than any of the existing medium-sized European markets such as the Netherlands, Belgium and Luxembourg, Switzerland or Austria.

Without this new market, western car makers would have faced a sharp decline in demand in western Europe this year. Sales are expected to fall in 1992, however.

According to the latest forecast by DRI, the London-based automotive analysts, western European new car sales will fall by 2.4 per cent next year to 13.15m from 13.47m in the whole of 1991.

DRI forecasts a 19.1 per cent drop in the German market to 3.34m in 1992, which will be cushioned by the start of a modest recovery from recession in the UK and France.

In the first 10 months this year industry estimates show that new car sales fell in nine markets across western Europe and were higher than a year ago in eight.

In October alone sales fell in 10 of 17 western European markets including falls of 12.8 per cent in France and 22.5 per cent in the UK. Only Spain of the five leading volume markets showed a modest increase by 5 per cent.

The share taken by Japanese-badged cars in western Europe rose to 12.6 per cent in the first 10 months from 11.8 per cent a year ago reflecting an 8.8 per cent jump in sales volume to 1.49m.

The main success has been achieved by Nissan, Japan's second largest car maker, which has increased sales this year by an estimated 16.5 per cent. Its increased share reflects the rising output available from its first European car assembly plant at Sunderland in north-east England.

The ground gained by Nissan provides a foretaste of what can be expected later as other Japanese car makers, Toyota, Honda and Mitsubishi, begin European production.

In Italy, where direct car imports from Japan are still strictly limited, Nissan has increased its sales in the first 10 months by 224 per cent to 15,219 from 4,703 a year ago.

OBITUARY: GUSTAV HUSAK

Moscow's agent in Prague

By Judy Dempsey, East Europe Correspondent

MR GUSTAV HUSAK, the former president and communist party leader of Czechoslovakia, yesterday died in hospital after a long illness.

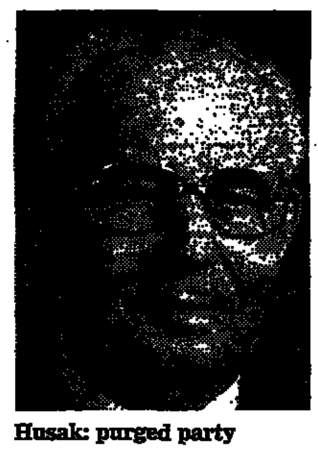
A dour, bespectacled, short-sighted politician, Mr Husak will be largely remembered for the role he played in crushing the pro-reform Prague Spring.

Led by pro-Communist reformers under Mr Alexander Dubcek, it was quashed by Soviet-led Warsaw Pact troops on August 21, 1968. Mr Dubcek was dismissed, sent briefly as ambassador to Turkey, and then barred from public life.

He was succeeded by Mr Husak, a Slovak, who ruled over the period of "normalisation" in which thousands of people were sacked from their jobs for their involvement in 1968.

Many intellectuals ended up stoking the furnaces of Prague, or cleaning windows. Several of them are now government ministers.

Mr Husak remained aloof from the public. One of his few, and last, "walk-abouts" was during a visit by President Mikhail Gorbachev to Prague in April 1987. Crowds turned out to greet the Soviet leader. But he said nothing to offend his host.



Husak: purged party

However, the Soviet leader's silence when thousands of east German asylum-seekers sought a way around the Berlin Wall through seeking refuge in the then west German embassy in Prague during October 1989, indicated to Mr Husak that Moscow's support was waning.

It finally ended when Mr Gorbachev ignored the anti-government crowds in Prague's Wenceslas Square. He was replaced as president in February 1990 by Mr Vaclav Havel, whose plays Mr Husak had banned.

Mr Husak was born in Bratislava on January 10, 1913. He joined the Communist party in 1933, remained in it when it was outlawed under the Nazi occupation, and helped lead the abortive Slovak national uprising in 1944.

At the height of the Stalinist purges, Mr Husak was accused of being a "bourgeois Slovak nationalist". He was jailed from 1951 to 1960, releaseed, worked as builder, and gradually made a political recovery.

Yeltsin's German visit reopens ship orders row

By Leslie Colitt in Berlin

MR Boris Yeltsin's visit to Bonn this week has raised hopes that the Russian leader will settle the question of nearly DM1bn ($600m) worth of ships ordered from east German shipyards by the Soviet Union but not yet paid for.

Twelve of the 16 vessels lie completed at shipyards on the Baltic Sea. Each day DM250,000 in insurance and maintenance fees is added to the Soviet bill.

Soviet shipping companies steadfastly refused to pay for the vessels, claiming the exchange rate of six roubles to the Deutsche Mark was unfavourable for them. A freeing of the rouble exchange rate, however, could make the costs rise even even more.

Mr Wolf Onnen, responsible in the east German Treuhand agency for shipyards, said a decision to pay for the ships was now in the realm of politics. "Yeltsin could say the topic will be discussed or not," he suggested. The remaining four vessels for Soviet shipping companies, mostly large factory fishing ships and some freighters, are due to be completed by next month.

Non-payment for the ships would present the ailing east German shipyards in the Deutsche Maschinen- und Schiffbau group (DMS) with a liquidity problem, Mr Onnen said. An alternative buyer for the freighters could be found at a discount price but the factory fishing trawlers were purpose-built for the Soviet fishing fleet.

German hopes for a revival of trade with Moscow have been buoyed somewhat by Mr Yeltsin's recent economic reform measures. But they are tempered by a widespread belief that Russia's economic problems are so deep-seated that they will take generations to solve.

In east Germany, the shipbuilding industry was originally expanded after 1945 to provide ships as war reparations for the Soviet Union

By 1989 it led the world in construction of fishing vessels and was third in general cargo ship construction. More than half of production went to the Soviet Union. Mr Eckart van Hooven, chairman of the DMS supervisory board, warned recently that DMS would no longer be viable if the Soviet market remained insolvent. East German shipyards and their suppliers are due to shed another 7,000 workers by next month and will be down to 21,700 employees from 50,000 two years ago.

DMS has accused the Treuhand of moving too slowly in privatising the east German shipyards. But Mr Onnen said several west German and foreign shipbuilders were expected to begin negotiations before the year was over.

The Italian prime minister, Mr Giulio Andreotti, welcoming Egypt's President Hosni Mubarak to Rome yesterday. The two leaders discussed the threatened US-British action against Libya for its alleged part in the Pan Am airliner bombing over Lockerbie

Cossiga and legal body in conflict

By Robert Graham in Rome

A ROW between President Francesco Cossiga and the governing body of Italy's magistrates, the higher magistrates's council (CSM), has rapidly escalated into a serious conflict over the powers of the president and the independence of the judiciary.

President Cossiga has threatened to dissolve the council with the possible arrest of its members if he fails to get his way when the body meets tomorrow.

The magistrates for their part are refusing to give ground.

Relations between President Cossiga and the magistrates have been tense for more than 18 months, ever since he prevented the CSM from discussing whether it was appropriate for magistrates to belong to a masonic lodge.

Since then he has fallen out with Mr Giovanni Galloni, the deputy-president of the CSM, whose role as the body's operational head he has increasingly challenged.

The present row erupted over President Cossiga's apparent efforts to stifle investigations into the affairs of a masonic lodge in Bologna.

He has sought to do this by invoking his authority as the titular president of the CSM.

When the CSM was established by law in 1958, the president was entrusted with "convening and presiding" over the body.

But in February this year, President Cossiga personally approved internal rules for the CSM which permitted the latter to agree by a majority vote on the date and agenda for their next meeting "independent of the president's power to convene".

This was conceived as a practical measure since the CSM needs to meet regularly to decide promotions, consider administrative matters and allocate cases.

Magistrates also saw the new rule as a means of distancing themselves from political interference, arguing the president's role within the CSM was titular due to his position as head of state.

Thus they have gone ahead and arranged a meeting tomorrow without prior consultation with President Cossiga. The latter has reacted furiously claiming his prerogatives were being undermined.

The conflict has been enflamed by a constant series of intemperate public comments on the issue from President Cossiga.

One way out of the impasse may be a move by parliament to pass a law which removes the ambiguities between the CSM president's attributions and the rules regarding the body's operations.

Lithuania takes slow, painful route to a market economy

Gillian Tett reports on the largest Baltic republic's efforts to shake off the economic and political legacy of communism

AS RUSSIA debates its reform plans, Lithuania, the largest of the breakaway Baltic states, has slowly begun to implement its first serious economic reforms that seem likely to prove a painful political test for the post-independence Lithuanian leadership.

Against a background of rapidly deteriorating economic conditions, it intends to free prices, initiate monetary reform, and offer Lithuanians the chance to purchase or claim a share of state property.

Price liberalisation is already under way. Last week Lithuania raised the state-controlled price of most foodstuffs between two and fourfold. Next week (from Monday) the prices of other non-food goods in state shops will be freed completely.

Privatisation has also slowly begun, based on a system of "investment cheques" – vouchers which are being distributed free of charge to Lithuanian citizens.

The value of the cheque each individual receives depends on their age and number of working years. They can be used to "purchase" state flats, shares in a large state enterprise, or an entire small enterprise such as a shop. These are now being sold off in state-run auctions held every weekend in town halls throughout Lithuania.

"We expect that most people will buy their own flat," says Professor Kazimieras Antanavicius, chairman of the Lithuanian parliamentary economic committee.

He calculates that through the investment cheques, which represents a total sum of Rbs25bn, about a quarter of the state property will be distributed. But although the scheme provides a neat solution to the lack of capital among Lithuanians, few Lithuanians expect the scheme to yield particularly sweeping results.

The department of privatisation in the Lithuanian economics ministry says that 344 small enterprises were sold in state auctions in September at a total cost of Rbs52.9m. More than three times that number are expected to be sold this month. Up to 20 per cent of the share capital of most large factories is also due to be sold off to the workers by the end of the year, with a further 114 factories theoretically now available for sale to foreigners.

Even in enterprises which now have been privatised, it is uncertain how much has actually changed. Vilnius's central "univermag" state shop, for example, recently sold over half of its state capital as 1053 shares, valued at Rbs500 each.

But as Mrs Slari Bartasene, chief accountant of the shop, admits: "We're still working on the old system here. The ministry of trade tells us what we will sell and arranges the deals." This situation leaves Professor Antanavicius fearing that this week's price increases will do little more than line the pockets of the state-run monopolies and ministries. "How can we have free prices when the shops and factories are still the same?"

So far the reforms seem to have been accepted with weary resignation by Lithuanians. The last serious attempt at price rises back in January provoked a political backlash that led to the resignation of the prime minister, Mrs Kazimiera Prunskiene. But her successor Mr Gediminas Vagnorius, insists that post-independence, "the Lithuanians are psychologically better prepared for reform", and points out that sweeping increases in wages and social benefits have, so far, softened the blow.

But this seems unlikely to last. Although the Bank of Lithuania admits it has little control over spiralling inflation, it insists that as soon as Lithuania introduces its own currency, some time next year, it will set about imposing the painful measures needed to ensure tight fiscal controls.

Portugal to speed up sell-off programme

By Patrick Blum in Lisbon

PORTUGAL'S privatisation programme will be speeded up and will resume shortly, government officials say.

After the sale of several companies earlier this year, the programme came to a halt in August as the campaign for last month's general election got under way.

Now that the election is over and that Mr Anibal Cavaco Silva, the prime minister, has been re-elected with another absolute majority, officials are preparing for a second phase of privatisations which will include some of Portugal's largest companies.

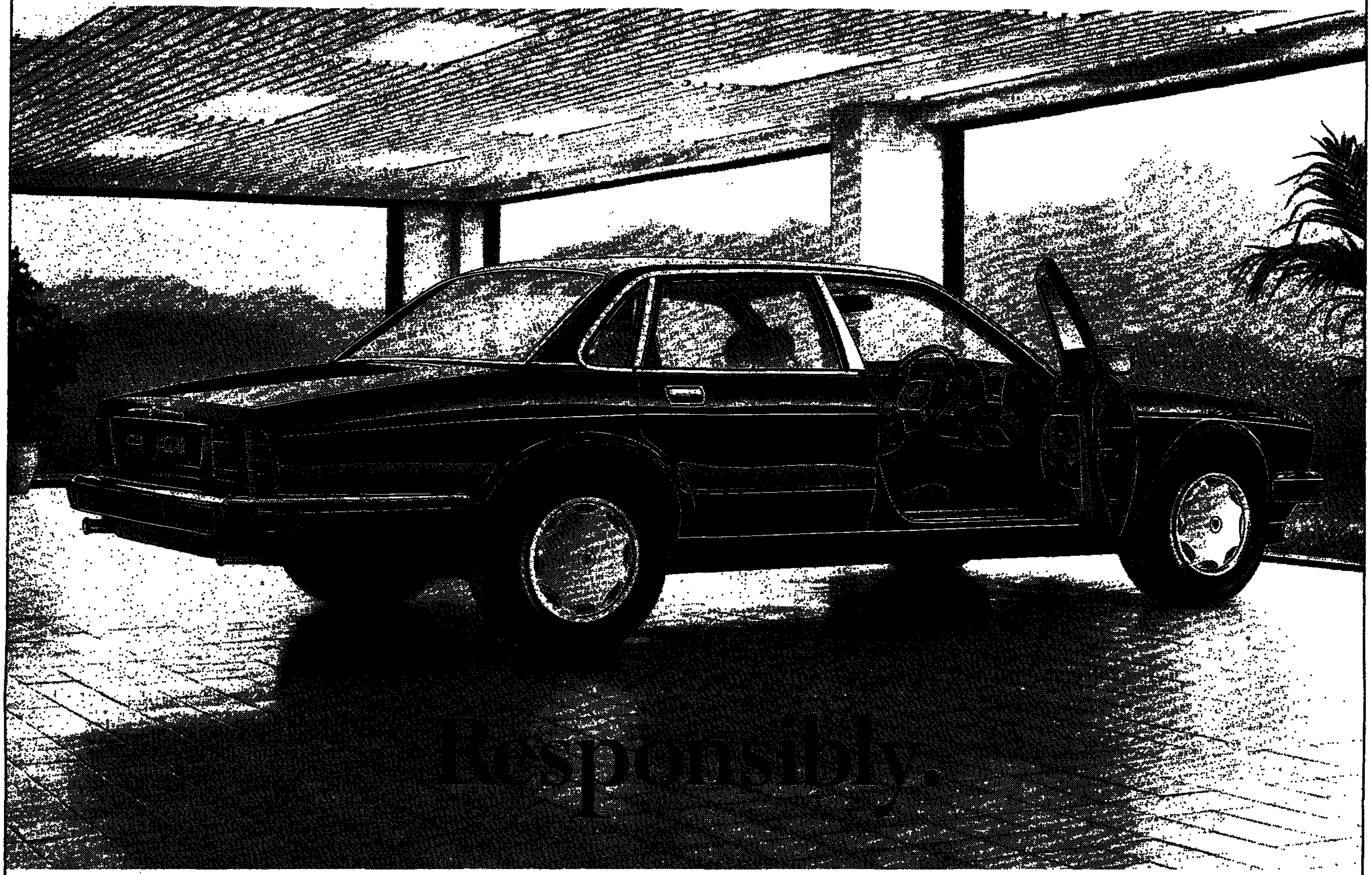
Several private groups already are poised for a resumption of the programme which is expected to take place next month.

The programme includes the partial privatisation of Petrogal, the state oil group and Portugal's biggest company, and the selling off of another tranche in Banco Espirito Santo e Comercial de Lisboa (BESCL), the country's third largest bank. Forty per cent of the bank was sold off to private investors last July.

The sale of another part of Banco Portugues do Atlantico (BPA), the second largest bank, is also due soon, probably early next year. These sales are scheduled to be followed by by the privatisation of a string of insurance, road transport, cement and chemical companies.

Since the programme began in April 1989 the government has raised Esc346bn ($2.4bn) from 13 privatisations, the majority of which have been of financial institutions.

How will you drive during the economic recovery?



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INTERNATIONAL NEWS

Japanese banks curb help for companies

By Robert Thomson in Tokyo

JAPANESE banks suspended business during October with 944 companies owing a total of Y508.9bn (£2.2bn), an increase of 540 per cent in outstanding debt on the same month last year and the 14th straight month of year-on-year increases.

The Federation of Bankers' Association of Japan said the number of companies cut adrift rose 72.3 per cent, highlighting the collapse of Japan's speculative "bubble" and the impact on small- and medium-sized businesses of the country's severe labour shortage.

Property companies headed the list of suspensions, the number rising by 130 per cent on October last year, while the number of service sector companies rose 125.4 per cent. Construction companies were up 74 per cent.

Japanese property-related companies have been hit by a downturn in property prices, a sharp fall in turnover and a Ministry of Finance directive to banks that they restrict lending for property investment. Other companies were hurt by higher interest rates and the slowdown of Japan's economic growth.

Tokai Bank, the Japanese commercial bank, revised downwards its forecast for domestic economic growth from 3.6 per cent to 3.1 per cent for the fiscal year to the end of next March. This compares with the official estimate of 3.8 per cent, and other institutional forecasts ranging from 3 per cent to 3.6 per cent.

For the year to end March 1993, Tokai Bank expects growth of 2.8 per cent, with growth continuing to slow in the first few months of the next fiscal year, but the economy gaining in strength as the year progresses. The bank forecasts that personal consumption will rise by 3.5 per cent next year and that capital spending will expand by a relatively small 2.8 per cent.

Delhi to retain control of public sector industry

By David Housego in New Delhi

MR Narasimha Rao, the Indian Prime Minister, yesterday ruled out as "premature" a privatisation programme in India that divested the state of management control of public sector industry.

Speaking to senior industrialists in the wake of his landslide by-election victory on Sunday, he preached caution over denationalisation and retrenchment of labour as being necessary to avoid industrial unrest that could unhinge continuing economic reform.

On the pace of industrial restructuring, he said his approach would be to seek a consensus with labour and that he understood the fears of labour and intended to allay their misgivings. "The cost and burden of restructuring should not be disproportionately high for any one sector of society," he said.

Speaking to a gathering of the World Economic Forum in Delhi, he sought to dispel expectations of a privatisation programme that transferred management control of state owned industrial units to the private sector. "Even to raise the question is premature," he declared.

Rao: preached caution over denationalisation

Officials said afterwards that the prime minister's remarks did not exclude public sector companies from raising fresh equity on the capital market. The government has also announced that it will raise at least Rs 25bn (£548m) in budget revenue through selling a 20 per cent stake in big public sector companies to state-owned mutual funds and insurance companies.

Mr Rao's remarks come at a time when the government is under pressure to accelerate deregulation through privatisation of India's mammoth public sector and through making it easier for companies to reduce their workforce and close loss-making plants. Speakers urged that these changes were needed to inject fresh dynamism into the economy.

At the same time the government is nervous that more rapid industrial change could precipitate widespread industrial disruption that would be difficult for a minority government to handle. The unions have called for a nationwide strike on November 29 to protest at the threat to jobs from public sector restructuring.

The Indian Prime Minister's ruling-out of any significant privatisation of India's 250 state-owned industrial companies is in sharp contrast to neighbouring Pakistan where the government is selling over 100 state-owned companies and banks.

Pakistani PM gives assurance on incentives for investors

By Farhan Bokhari in Islamabad

PAKISTAN'S Prime Minister, Mr Mohammad Nawaz Sharif, yesterday assured about 700 prospective domestic and foreign investors that his government's economic incentives would not be reversed.

He told Pakistan's largest investment promotion conference that the government would provide constitutional protection for the measures.

The three-day conference is seen as an important test of the success of Pakistan's initiative to attract new investors.

Among the 400 potential foreign investors, officials said that the biggest groups were from Japan, South Korea and Saudi Arabia.

Mr Nawaz Sharif's government has been trying to privatise state-owned factories, many of which are known to be running at a loss. According to official estimates the profitability on public sector factories on average ranges between 1.5 to 2 per cent a year.

So far, the government has sold 30 factories, but the privatisation commission is planning to invite offers to sell another 85. Offers have also been invited by the end of this month for the sale of two of the largest public sector banks.

The country has introduced a variety of incentives to attract new investors. Among the measures introduced this year, new industries in rural areas have been exempted from paying taxes for a five- to eight-year period.

New investors are no longer required to seek official permission for setting up factories, except for arms and ammunition, printing of currency, high explosives and radioactive substances.

Foreign exchange regulations have also been relaxed for ordinary Pakistanis, who are now allowed to open foreign currency accounts at local banks and freely make deposits or withdrawals.

Some of the several hundred thousand Syrians who attended a rally in Damascus yesterday in support of the re-election of President Hafez al-Assad for a fourth constitutional term. A referendum will be held on December 2 to endorse his earlier nomination by the token Syrian parliament

US reviews ties with Kenya after 'racist' jibe

By Michael Holman in Nairobi

THE US was last night reviewing its relationship with Kenya after the country's foreign minister, Mr Wilson Ndolo Ayah, described the US ambassador as a racist with the attitudes of a slave owner.

The development marked the most serious step in a growing row between Kenya and western governments over last week's arrests of over a dozen opposition leaders, and the use of riot police to prevent a rally in Nairobi on Saturday.

President Daniel arap Moi has accused unnamed foreign countries of what he called "anarchy" in trying to undermine his government.

Germany yesterday recalled its ambassador over the issue, which has blown up just a week before Kenya puts its case for continued western aid at a World Bank-chaired donors meeting in Paris.

Mr Ndolo Ayah said ambassador Smith Hempstone, one of seven western envoys summoned to the ministry, had been told that the government was "very unhappy with his personal behaviour."

The ambassador had created "the perception that he is an arrogant man with a contempt for African and black men."

The minister described Mr Hempstone, who has been forthright in his criticism of Kenya's human rights record, as having "the attitude of a slave owner who thinks he can guide Africans." He repeated allegations of US sponsorship of Kenya's opposition Forum for the Restoration of Democracy (FORD), whose leaders were arrested last week and charged with convening an illegal meeting.

Arms warning for Third World

By David Marsh, Europe Editor

THE WORLD'S leading industrialised nations next month will solemnly warn developing countries to trim excessive military spending as a prime condition for receiving continued flows of development aid.

The Development Assistant Committee (DAC) of donor nations is due to spell out, at a meeting of top officials in Paris in early December, the need for aid recipients to reduce arms expenditure.

Although the idea has been canvassed for several months at World Bank and International Monetary Fund meetings, this is the first time that the 18-nation DAC will build this condition into a formal policy statement.

The communiqué to be issued by the DAC after its meeting is also likely to call upon developing countries to take steps towards improving democratic conditions, including measures in areas like fighting corruption.

The idea of linking aid disbursements to "good behaviour" on the arms and democracy fronts has been particularly supported by Japan, underlining its newfound interest in taking a lead in international economic policy.

Germany, which has been concerned about the growing need to direct aid funds to eastern Europe, has also become increasingly vocal over the need for tough conditions on spending for the Third World. The establishment of criteria for military expenditure and "good governance" is almost certain to be interpreted by some poorer nations as unjustified interference in their affairs.

Thai military to step down after election

By Peter Ungphakorn in Bangkok

THAILAND'S army chief said yesterday he and the other officers who staged the February 23 coup would not accept the premiership or other cabinet posts after next year's elections.

His remarks come amid growing criticism of the military's plans for a return to constitutional rule.

Gen Suchinda Kraprayoon said he wanted categorically to quell criticisms that the military was manipulating the constitution's drafting in order to remain in power after elections he promised would be held in March next year.

He was speaking at a press conference on the eve of a meeting of the military-appointed National Legislative Assembly which starts its second reading of the draft constitution today.

More than half of the assembly members are military or police officers or have close contacts with the Armed Forces.

Among the provisions of the draft, which critics say would establish the military in power, are:

- A Senate appointed by the coup leaders that would have powers matching those of the elected lower house – including selecting the prime minister
- A clause that would allow serving military and civilian officials to take up cabinet posts without having to stand for election.

Criticism of the draft mounted over the weekend when Prime Minister Anand Panyarachun joined in.

Until then, Mr Anand had strictly observed a division of labour between his government and the National Peace-Keeping Council (NPKC), the official name of the coup group, in which the constitution was the responsiblity of the NPKC.

Seven of Thailand's largest political parties, students and civil rights activists are planning a protest rally today in central Bangkok.

The controversy is seen as evidence that in spite of having seized power in February, the military can no longer take for granted that they dominate a Thai political scene that has become increasingly democratic over the past 20 years.

Gen Suchinda and his colleagues appeared to recognise this when [illegible] allowed political parties to continue [illegible] activities shortly after the coup.

They also refrained from censoring Thailand's independently-minded [illegible] which has been increasingly critical of the military.

INTERNATIONAL NEWS

Extremists in Mideast adapt to new climate

THE defeat of Iraq in the Gulf war, the consequent military and diplomatic supremacy of the US, and the opening of Middle East peace talks in Madrid have, at least temporarily, sent some of the region's more extreme political players scurrying for cover.

The release yesterday of Mr Terry Waite and Mr Thomas Sutherland, a Briton and an American, is just the latest example of the tactical adjustment taking place, although it is still far too early to be confident that it represents a strategic withdrawal.

The issue of arrest warrants for two alleged Libyan agents in connection with the bombing of the Pan Am aircraft over Scotland in December 1988 is a simultaneous reminder of the new determination, especially by the US and Britain, to pursue those whom they believe are responsible for acts of terrorism. The assertion by the investigators that, contrary to persistent earlier reports, there was no evidence of Iranian or Syrian involvement must have been music to the ears of the hostages and to everyone seeking their release.

Iran, Syria and Lebanon, the three countries most intimately associated with the holding of western hostages, all have persuasive reasons for wishing to deflect further hostility. While the seizure of hostages may at one time have marked the Arab and Islamic contest to sponsor the most virulent strain of anti-western activity, it has for some time been seen as counter-productive in both Damascus and Tehran.

Iran, which has the most immediate influence over Islamic Jihad, the kidnappers of Mr Waite and Mr Sutherland, operates a two-track foreign policy which partly mirrors the domestic struggle for power. President Hashemi Rafsanjani has been persuaded of the need to rebuild his country's shattered economy, a task for which he needs western credit and technology. But, in so doing, he cannot afford to ignore those who campaign as the true inheritors of Ayatollah Khomeini's spiritual mantle and for whom the export of the revolution matters as much as the sale of oil.

This results in Iran lending its weight to freeing the hostages while at the same time hosting a gathering for all those international organisations opposed to the peace process in Madrid.

Syria is less equivocal. President Hafez al-Assad understands better than most the requirements for remaining in power and, in particular, the relative potency of his enemies. Although Iraq has posed occasional dangers, for Syria the biggest threat has always been an unrestrained Israel. Without the strength of the Soviet Union around him, Mr Assad more than ever needed to attract US support.

It was Syria's acceptance of the US invitation to Madrid which made that conference possible. President Bush and Mr James Baker, the secretary of state, thanked Mr Assad as warmly as they could any man who has been charged over the years with harbouring and aiding terrorist organisations.

For the peace process to stay on track and the bilateral negotiations to get underway in the next fortnight, Mr Bush and Mr Assad need to remain roughly in step. The chance for Washington to thank Damascus publicly again, over an issue as dear to American hearts as the release of hostages, was an opportunity that neither side wished to forego.

Whether anyone has the opportunity or desire to thank Israel is not yet clear. Nearly 300 Shia Moslems from south Lebanon are still held in Israel, pending the release of Israeli servicemen held or missing in Lebanon. The freeing of two more western hostages, before there has been any further Israeli move on the Lebanese it holds, underlines just how keen Iran and Syria are to end the matter.

Roger Matthews

Terry Waite pictured in 1984 with Lord Runcie, then Archbishop of Canterbury

WESTERNERS MISSING IN LEBANON

1985

March 16: Terry Anderson, American, 44, from Ohio. Middle East correspondent of Associated Press. Held by Islamic Jihad.

Sept 11: Alberto Molinari, Italian, then 66. Insurance company employee who had lived in Lebanon for more than 30 years. A senior Lebanese security source has said his kidnappers had killed him.

1986

Sept 12: Joseph James Cicippio, American, 61. Deputy comptroller of AUB from Norristown, Pennsylvania. Held by Revolutionary Justice Organisation (RJO).

1987

Jan 24: Alann Steen, American, 52. Professor of Mass Communications at Beirut University College (BUC) from Boston, Massachusetts. Held by Islamic Jihad for the Liberation of Palestine (IJLP).

1989

May 16: Heinrich Struebig, German, 50. Aid worker for Asme-Humanitas Relief Agency (AHRA) which cares for the Palestinian refugees. Held by the Freedom Strugglers.

May 16: Thomas Kemptner, German, 30. AHRA aid worker, seized with Struebig. Held by the Freedom Strugglers.

Source: Reuter report from Beirut.

Home in the Rockies awaits Sutherland after 6½ years

THE freeing of American hostage Thomas Sutherland in Beirut yesterday marked the end of six and a half years of a silent and heroic vigil by the Scottish-born professor's American wife.

Jean Sutherland, shunning the publicity that surrounded other hostages' wives, loyally stayed on in west Beirut, unprotected and even visiting the southern suburbs where her husband was believed held. "I have high hopes and no expectations," she always said.

The Sutherlands met as college students in Iowa more than 30 years ago. At a French agricultural institution in Versailles, Mr Sutherland learned French. This enabled him to form a deep friendship in captivity with Jean-Paul Kauffmann, the French journalist freed by Islamic Jihad in May 1988.

Sutherland and Kauffmann whiled away the hours discussing French wines. A restaurant in the Sutherlands' home town in Colorado has stocked a wine cellar during his imprisonment especially for him. Jean purchased several acres of land in the Rocky Mountains where the couple could build a home after his release.

Mrs Sutherland is the only American-born wife of a western hostage to have waited out her spouse's captitivy in Beirut. Through militia wars, Jean lived alone on the campus of the American University of Beirut, where her husband still holds the title of dean of agriculture.

Former hostages have said that Sutherland wished to return to his job in Beirut after his release. "Tom and I are like one person," Jean used to say. "When he comes out, all that time will be telescoped into one day."

Lara Marlowe

Waite's release revives Iran-Contra questions

THE release of Terry Waite is bound to revive questions about his possible role in the undercover White House operation to sell arms to Iran in exchange for hostages held in Lebanon, the so-called Iran-Contra scandal.

Between 1985 and 1987, he had regular contact with Lt Col Oliver North, the White House official at the centre of the affair, but their relationship has never been adequately explained. Was Mr Waite a willing agent acting on behalf of US interests in the Middle East, or was he a pawn in the hands of a small group of officials whose mission was to free (then eight) American hostages, whatever the cost?

At first glance, the two men have little in common, other than a mutual passion for religion. Mr Waite, the genial giant who appeared to enjoy high-pressure hostage negotiations, seems a world apart from Col North, the hyperactive *Marine who saw his mission in life* as fighting communism and terrorism.

Mr Waite's value to Col North was two-fold: the kidnappers trusted him and his status as the special envoy of the Archbishop of Canterbury served as cover, obscuring the reality of the arms-for-hostages swaps supported by President Reagan.

In September 1985, Col North wrote a memo to his superiors describing the release of the first US hostage, the Rev Benjamin Weir, as the result of an "intense effort" by Mr Waite. He was "the only westerner ever to meet directly with the Lebanese kidnappers", according to Col North's declassified documents at the Washington-based National Security Archive.

Over the next 12 months, Col North tried every ruse to secure the release of the Americans, ranging from the dispatch of a cake *and Bible to the sale of sophisticated Hawk* anti-aircraft missiles to Iran. These inducements were part of Washington's "back-channel" negotiations with Iranian officials close to Mr Ali Akbar Rafsanjani, then Speaker of the Iranian parliament and now Iranian president.

Late in October 1986, after agreeing to a further arms shipment to Tehran, Col North instructed Mr Waite to fly to Beirut. If a hostage was released, the Anglican envoy could take the credit, Col North wrote.

On October 31, just five days before the US mid-term elections, Mr Waite arrived in Beirut. His first call was to the Associated Press, the US-based news agency: "Something might happen," he said. "Nothing hard yet, but it's moving."

On November 2, Mr David Jacobsen, an administrator at the American hospital in Bei*rut held captive for 15 months*, walked free. Five days later, in the US capital, Mr Jacobsen paid tribute to Mr Waite's efforts, saying the churchman was negotiating "independent of any governments".

Mr Jacobsen's attempt to reassure the world about Mr Waite's status suggests that the Anglican envoy was walking a fine line in his dealings with Col North. Once this penetrated the minds of the kidnappers, Mr Waite became a logical target.

However, Mr Waite vehemently denied that he was in any way linked to the arms scandal, and Lambeth Palace, the Archbishop of Canterbury's residence, has always denied that its envoy was ever involved in anything underhand or sinister.

Lionel Barber

The challenge of Beirut

TERRY WAITE admitted that he dreaded going to Beirut, a most anarchic and unpredictable capital, but he never resisted the challenge.

He was kidnapped on January 20 1987, at a time of bitter inter-militia fighting, while trying to secure the release of two American hostages: the journalist Terry Anderson and the dean of agriculture at the American University of Beirut, Tom Sutherland.

Mr Waite was catapulted into the international spotlight in February 1981 when, as the Archbishop of Canterbury's special envoy to Iran, he played a big role in the freeing of three Anglicans. Details were never fully clarified, although some reports referred to western arms being supplied to Iran soon afterwards.

The trip was the latest chapter in an unusual career peppered with experiences in trouble-spots. A lay member of the Church of England, with degrees in theology, his early working life included helping out with late-1960s relief work in Sudan. He also worked in Uganda as an adviser to the local Anglican Church during Idi Amin's coup in 1971.

His experience in Africa led to an appointment in Rome, where he advised the Catholic Church on missionary work. Although he retained a lasting respect for Catholicism, he stayed within the Church of England, joining the staff of Lambeth Palace in 1980 and setting out on a series of delicate diplomatic trips to the Middle East on behalf of detained westerners.

His open personality and broad-based background – a genuine man of faith capable of listening to other religions and possessing experience in developing countries – initially ensured success in the complex world of Middle Eastern politics. Arabs were known to have *responded well to his* patient, sometimes humorous style of negotiation and deep sense of religion.

Later he appears to have fallen victim to an excessive trust in others in a world tarnished by international conspiracy and violent political differences. Some commentators have also suspected a more complex side to Mr Waite's character: a need to go for the Big One to find out whether he really was as good at his job as the media suggested.

In any case, a month before his own kidnapping, he seemed to know that he was courting fate: "I often wonder if I myself will be the next hostage," he told an Italian television journalist. "I know it is possible I shall not get back from my next mission at all."

Jimmy Burns

Mexico expects growth of 4% next year

By **Damian Fraser** in Mexico City

THE MEXICAN economy will grow by 4 per cent next year. inflation will fall to 9.7 per cent, and the current account deficit will rise to $12.99bn, according to upbeat forecasts in the annual budget report.

The report, which reflects continued domestic and foreign confidence in the Mexican economy, said the government would run a budget surplus next year, for the first time. Even so, the public sector is authorised to borrow up to $2bn in the international capital markets.

Past official forecasts have been misleading, and should be treated with caution. The past three budgets have much underestimated the growth in the economy, the country's swelling current account deficit and the inflation rate.

The current account deficit this year, according to the government figures, will be $11.06bn, or 80 per cent higher than predicted in the budget last year. Inflation, expected to reach 18.5 per cent, will be 4.5 percentage points higher than the official forecast last year, while GDP growth, originally predicted at 2.7 per cent, is now expected to be 4 per cent.

Most independent analysts reckon inflation next year is likely to exceed single digits. The current account deficit projection also looks optimistic, since it would imply an increase of a mere 16.6 per cent over that of 1991, compared to an increase this year of almost 75 per cent over that of 1990. The government assumes, for no obvious reason, that the growth in imports will slow from 21 per cent in 1991 to 11 per cent next year.

Mr Pedro Aspe, Mexico's finance minister, says the current account deficit does not pose a problem in that it reflects private sector purchases of capital and other investment goods, rather than, as in the early 1980s, a public sector deficit. The current account deficit, says the report, can easily be financed by foreign capital inflows; Mexican reserves in November stood at a record $16.7bn.

Last week, Mexico halved the rate of devaluation of the peso against the dollar from 40 centavos to 20 centavos a day, or 2 per cent a year, which suggested that the government at least was not worried by the growing trade deficit.

However, the rating agency Standard & Poors reflected the unease in some quarters about Mexico's growing trade deficit, when it concluded in a report last week that Mexico's ability to service its foreign debt was "only adequate, with minimum protection likely during unfavorable circumstances". The Mexican finance ministry called the report flawed.

The budget allows for an 18 per cent increase in social spending next year, reflecting President Carlos Salinas's commitment to combat poverty, improve agricultural productivity and raise educational standards.

Total government spending is to fall by 2 per cent thanks to a continued reduction in domestic interest rates, and subsequent cost of servicing the government's debt. Debt service payments are expected to fall from 21 per cent of spending this year to 16 per cent in 1992.

Finance Minister Pedro Aspe: The current account deficit is not a problem

The men in grey suits reach for the scalpel

Christina Lamb finds Brazil beginning to brace itself for a long haul of economic austerity

BRAZIL'S economics team has repeated so often over the last two months that there will not be another economic shock plan that it has almost become a mantra.

After five such plans in the last five years, and with monthly inflation having reached 25 per cent in October, the population is sceptical – no surprise there. But Mr Francisco Gros, governor of the central bank, claims that people are starting to believe, at last, that the only way out of Brazil's inflationary cycle is through hard work and years of austerity.

"The demands for quick-fix solutions are receding and, all of a sudden, we are having a discussion we have never had. Before, adjustment was never an option – the unanimous feeling was that recession was worse than inflation and that we must have growth at all costs."

Unlike his predecessors, Mr Gros, a former commercial banker, does not speak of economic revolution or magic solutions.

"We are not going to fool people that we are magicians and say: 'oops – out comes the rabbit', producing another price freeze or plan which will make us all heroes for three or four months but then leave the situation worse than before."

Instead, the more mundane strategy of Mr Gros and Mr Marcílio Moreira, economy minister, is based on privatisation, tax reform and increasing public sector tariffs to improve government finances, as well as on opening Brazil's still highly protected markets.

The programme has been developed with the International Monetary Fund, from which Brazil has a letter of intent for a $2bn stand-by facility.

The strategy is already being implemented. In the last four weeks, Brazil has not only carried out three privatisations, raising $1.3bn, and presented tax proposals to raise $12bn next year, but it has also imposed massive tariff increases. Electricity prices, for example, have gone up by 75 per cent in 34 days.

Mr Igor Cornelsen, director of Chartered West LB, believes Brazil may at last be on the road to serious reform. "The government is finally operating on the right patient – attacking the fiscal deficit rather than the private sector," he said.

Three weeks ago, demands for a shock plan reached a crescendo when, to protect flagging foreign exchange reserves, the central bank suspended its operations in the gold market, causing a run on the dollar in the black market, which surged by 30 per cent to more than 1,000 cruzeiros. The central bank had been selling gold to keep artificially low the parallel market dollar rate, which is tied to the gold price.

The government seemed to be intent on pushing the country into hyperinflation, and the usually sympathetic O Globo newspaper in Rio de Janeiro published a cartoon of President Fernando Collor wearing a t-shirt emblazoned with the question: "Anyone got any good ideas?"

The government resisted the pressures, however, and the risk seems to have paid off. The black market dollar has fallen and the markets have been calmer. The inflation forecast for this month has fallen from 35 to 30 per cent.

It is ironic that Mr Collor, who had sworn to slay inflation with a single bullet, now finds himself heading a long and arduous fiscal programme. He is clearly not comfortable with it, nor with his new, no-nonsense economic team of men in grey suits who tell him there are no easy options.

For all that, he can no longer ignore the success of countries elsewhere in Latin America, which are much further down the path of economic reform. While Chile, Mexico and Venezuela all have annual growth rates of more than 4.5 per cent, Brazil is in its second year of recession, with two more of stagnation predicted. Brazil, once the engine of growth in Latin America, is now spoiling the region's economic statistics.

Moreover, the recent mid-term elections in Argentina showed that successful economic reforms, albeit tough, can bring political support.

Mr Gros claims that a consensus is developing: "We've been on the brink of hyperinflation for five years but inflation never hurts the decision-makers in society. Even those who were losing somehow felt richer. But now it is hurting everybody. With tax revenues falling, the government cannot function; the banks which used to benefit tremendously from inflation are suddenly finding their clients going broke."

He blames Brazil's past economic success for its current resistance to reform : "Nothing in our past prepared us to face up to a crisis of readjustment. We were always a growing society, confident that the future would be better than the past. When that process was derailed 10 years ago, we could not agree as a nation on where we wanted to go, or on how. All through the 1980s, we refused to adapt and now we're paying the price."

Mr Gros believes, though, that Brazil could still see a quick turnaround. "Our problems are not that great in numerical terms. Our foreign debt, in terms of gross national product, is smaller than those of most debtor countries. Our industrial sector is still large and competitive."

Whether Brazil succeeds depends largely on Mr Collor mustering support in Congress to pass tax reforms and a series of constitutional amendments to reduce government expenditure and encourage investment. So far, the president, who has no real political base of his own, has proved more adept at alienating people than winning allies, and his popularity is at an all-time low.

Mr Gros admits: "The future is obviously fraught with risk, and hyper-inflation could be just around the corner. Whether the government will have enough support to carry on an austerity programme is an open issue – but, if not, we won't go far."

Argentine trade slips into monthly deficit

By **John Barham** in Buenos Aires

ARGENTINA'S trade balance slipped about $50m into the red last month for the first time since December 1987, according to preliminary estimates.

Imports more than doubled to $900m, compared with $426m in October 1990, while exports fell 11 per cent to $850m.

The austral, Argentina's currency, has grown increasingly overvalued, while consumer demand has strengthened and import barriers have tumbled amid the government's free-market policies.

Last year, Argentina ran a record $8.26bn trade surplus, due to falling imports. The surplus this year is expected to be between $3.5bn and $4bn.

Although they are concerned about the October deficit, officials are encouraged by an 80 per cent increase in imports of capital goods, an indication that industry is investing more. Unofficial figures put machinery imports at about $600m in the first half.

However, private economists warn that companies' export competitiveness could further decline as inflation continues rising by about 1 to 2 per cent a month, while the austral remains tied to the dollar.

They fear Argentina could have trouble servicing its $61bn foreign debt unless trade flows improve. However, analysts caution that it is too early to forecast a sustained deterioration in the balance of trade.

Cholera surge in Peru's summer

AN UPSURGE in the number of cholera cases has accompanied the arrival of summer in Peru. A state of emergency has been declared at the main hospital in Chimbote, the northern fishing port where South America's current cholera epidemic broke out in February, Sally Bowen reports from Lima.

Ten people were reported dead last week in a village near Ica, an inland town 200 miles south of Lima hitherto unaffected by the disease. In the remote villages of the high Andes near Ayacucho, where public health services are non-existent, 30 deaths have been reported already this month.

The disease has affected some 250,000 Peruvians, with the official death toll topping 2,500.

Mr Carlos Boloña, economy minister, said the government had earmarked the equivalent of $13m until the end of the year to prevent a resurgence of the disease.

Mr Victor Paredes, the new health minister, claimed: "Even if there is an epidemic, it will not reach the dramatic proportions of last summer."

Sleeping pill label change

UPJOHN, the US maker of pharmaceuticals, in controversy over its popular Halcion sleeping pill, has agreed to change the packaging and labelling of the drug, writes **Karen Zagor** in **New York**.

Concern about its side effects led to the drug being banned in Britain last month, Upjohn having refused to withdraw it. Although the UK accounts for less than $10m of Halcion's estimated $240m annual sales, there were worries that the UK Health Department's action would lead to bans in other countries.

Upjohn said yesterday that it had agreed to new packaging and labelling for Halcion after talks with the US Food & Drug Administration (FDA). The product will be sold in smaller, 10-tablet packs, each with a leaflet to advise about proper use of Halcion in particular and benzodiazepine sleep medications in general.

Also, Upjohn is to change the information for doctors in packs of Halcion. The revisions emphasise its appropriate use in the treatment of insomnia, in particular the desirability of brief treatment and the smallest effective dose.

WORLD TRADE NEWS

South Africa to liberalise policy on aviation

By **Philip Gawith** in Johannesburg

SOUTH Africa has announced a liberalisation of its international aviation policy which should stimulate its tourism and trade links.

The cabinet has approved an interim policy, pending completion of a more detailed review, which will give aviation authorities greater flexibility in negotiating the terms of air transport to and from South Africa.

Under the new policy, the government has announced its willingness to negotiate with other governments (international scheduled air transport services are normally negotiated bilaterally) the relaxation of tariff control measures, and the granting of at least two frequencies a week to all airlines.

Pretoria is also ready to negotiate the designation of more than one airline per route, and the use and promotion of Cape Town and Durban as "gateways" to South Africa.

The government says it will not compromise on the principle of reciprocity and anticipates it will obtain similar rights and benefits in other countries.

The new policy is a response to the ending of the sanctions era and changes in the international aviation environment. Symptoms of the former include airlines such as Cathay Pacific and China Airlines starting services to South Africa, and South African Airways being allowed to fly to the US again.

In the latter case, South Africa is seeking to get in step with international developments such as liberalisation of the EC internal aviation industry and the airline industry's increasing globalisation.

To stimulate the tourist industry in South Africa, the export of perishable products and development of air links with countries with which no scheduled air transport service exists, the government has also decided to relax regulatory controls concerning charter flights to and from South Africa.

Subject to safety and reliability criteria, no economic regulation will apply to flights from abroad if they fall into the above categories.

Charter flights between other countries and South Africa, where a scheduled air service is provided, will be allowed if they do not overlap uneconomically with existing scheduled services.

Pressure grows to extend machine-tool import limits

CONGRESSIONAL and industry lobbying for extension of import limits on machine tools is growing, with the US industry seeking a presidential decision by the end of the month, Nancy Dunne reports from Washington.

The five-year "voluntary" restraint agreements (VRAs), with Japan and Taiwan are due to expire at the end of the year. Machine-tool companies want five more years' limits on national security grounds, the same rationale used for the original VRAs.

It is widely believed that the Bush administration, at first resistant to the VRA extension, may well succumb to pressure. In the Senate, Senator Alfonse D'Amato has collected 14 co-sponsors for a resolution favouring renewal. In the House, the Congresswoman Helen Bentley, a Republican from Maryland and critic of Japanese imports is leading the move.

Industry executives in Washington this week argued that they had begun to retool, but the process was not yet complete. Mr Daniel Meyer, chairman of Cincinnati Milacron, said his company will not complete its modernisation until 1994. Mr Wade Roberts of Strippit Company in Buffalo, New York, said retooling would take five more years.

Toshiba and Siemens in electronics agreement

By **Steven Butler** in Tokyo

TOSHIBA and Siemens, the Japanese and German electronics companies, yesterday announced an agreement that will provide a basis for co-operating in developing and marketing RISC (reduced instruction set computing) microprocessors based on technology developed by MIPS Computer Systems of the US.

The accord will boost the growing interest in RISC-type microprocessors, which could eventually erode the overwhelming market share which Intel, the US microprocessor company, has had in the worldwide personal computer market.

Toshiba said yesterday it expected the share of RISC devices in the 32-bit microprocessor market to rise from 11 per cent today to 30 per cent in 1995.

The agreement outlines a framework for co-operation that could include areas such as joint development of MIPS's R3000 and R4000 series of RISC processors, mutual supply of these products to assure availability to customers, and supply of RISC silicon wafers to each other.

Toshiba said the most significant part of the agreement was that it would allow the companies to assure supply stability for each other.

Computer plant for Ireland

THE California-based data networking company, 3Com, began work yesterday on its new $16m (£9m) plant in Ireland, its first in Europe, Tim Coone reports from Dublin.

Production is scheduled to begin in late 1992, and initially, 3Com will make its Ethernet computer network adaptors at the new site for distribution in the EC and east European markets.

Mr Eric Benhamou, 3Com's president, said the plan showed 3Com's commitment to "enhance its global infrastructure" and move manufacturing, service and support facilities near important customers.

Leipzig bounces back for its fair share

Comecon's shop window is mapping itself a regional role, **Andrew Fisher** writes

AFTER THE border between the two Germanys came down two years ago, it seemed that the days of the Leipzig Trade Fair were numbered. Its role as Comecon's shop-window, in which western companies also had to display their products if they wanted to sell to the east, was demolished along with the Iron Curtain.

The introduction of the free market to eastern Germany forced the fair to concentrate first on survival, which now seems assured, then on mapping out a new direction in a united Germany that had such big exhibition centres as Hanover, Frankfurt, Düsseldorf and Cologne.

The Leipzig fair had covered all sectors of industry, but this universal approach was completely out of place when companies no longer felt they had to come to Leipzig to do business in Eastern Europe. Now, the fair is becoming more focused and responsive to the needs of eastern Germany and its neighbours further to the east, such as Poland.

An example is the recent construction industry fair, which included 304 companies from eastern Germany, some split off from former unwieldy *Kombinats* (industrial groupings), among the 1,400 exhibitors. For Leipzig, the theme of this fair was well suited to the needs of eastern Germany, where demand for new buildings and renovation is enormous.

It also attracted a sprinkling of foreign exhibitors. Zimbabwe was there, its stand dominated by a model of one of the country's impressive formations of boulders balanced on top of each other.

Striking pictures of the Taj Mahal and Jaipur's Palace of the Wind decorated the stand of Tradewinds, an Indian company. Both want to sell their building stone, such as black granite, to the enlarged German market.

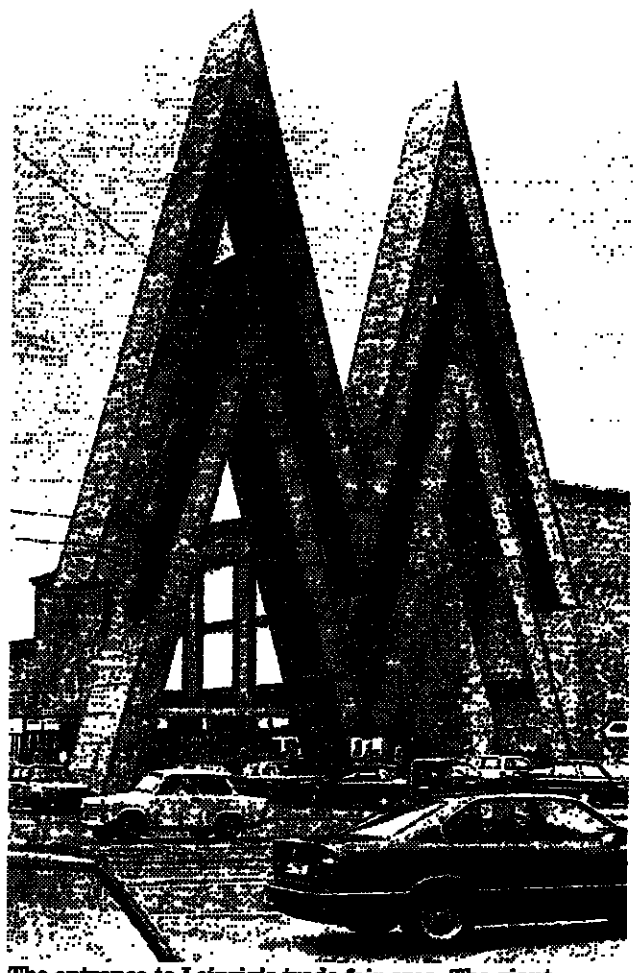
The Poles were there, with a national stand and 16 companies. "East Germany is our immediate neighbour and we want to participate in the building boom," says Mr Wieslaw Grzymski, a Polish trade official. Leipzig, he believes, will remain an interesting fair, with strong regional links because of its attractive location for East European industry.

Other exhibitors included Readymix, the UK-controlled building-materials company which is investing DM1.3bn (£440m) in eastern Germany, to make it one of the biggest industrial spenders there. There were also companies from France, Belgium, the US and Finland.

Mrs Cornelia Wohlfarth, the former publishing executive who now heads the fair, believes strongly that it must adapt to local and regional needs, acting as a bridge between east and west.

Thus, the next Spring Fair will deal with environmental, transport, and industrial technology, as well as providing an information exchange for eastern German companies and entrepreneurs wanting to learn more about the free market. Future fairs will cover textiles, tourism and local authority management.

The revamping of the fair has received strong backing from its shareholders, the city of Leipzig and the state of Saxony. But its new start has been fraught with difficulties. Some fair directors in western Germany see no need for the revival of a competitor. Nor do many Western companies see the necessity to exhibit in Leipzig.



The entrance to Leipzig's trade fair area. The giant 'M' signifies 'Messe' - fair in German

"In the old days, anyone wanting to do business in East Germany and Comecon had to exhibit in Leipzig," says Mrs Wohlfarth.

"Contracts were signed with lots of pomp so that (eastern European) ministers could come here and have a good time." Now, of course, things are very different. Companies can stay away, and the bad memories, not least of the poor infrastructure and accommodation, remain. "Leipzig," says Mrs Wohlfarth, "is still burdened with this load."

It is also encumbered by some controversial contracts concluded at the end of last year by its former director, Mr Siegfried Fischer. He allegedly signed away exclusive 25-year rights to a western German company on commercial premises in the inner-city fair buildings at rates which would cost the fair some DM1bn in lost revenues. The fair is contesting this and other contracts in the courts. Mr Fischer was ejected from his job a year ago.

His interim replacement was Mr Kurt Schoop, the retired former director of the Düsseldorf fair. It was under him that the rehabilitation at Leipzig began, with a new direction and new management.

But the biggest step is yet to come. In a move that will cost up to DM1bn, the fair's main industrial site will be relocated closer to modern transport links and away from its present position next to the huge memorial to those who died *fighting Napoleon*.

The German Government is providing at least DM300m for this, and the sale to the city of the fair's present property, which the fair thinks too costly to modernise, will raise a further DM500m.

Mrs Wohlfarth hopes the move to the new, more compact site can be completed by 1995. This is the anniversary of the world's first Muster Messe (sample fair) – previous fairs had goods for sale instead of samples – which took place in Leipzig 100 years ago.

Japan resists US pressure for new rice tariff regime

JAPAN is resisting US pressure to replace its ban on rice imports with a new tariff regime, and is determined to offer a once-only opening for foreign rice at Gatt's Uruguay Round talks, Robert Thomson reports from Tokyo.

Mrs Carla Hills, US trade representative, told Japanese leaders recently that the tariffication of rice would be a necessary part of a farm trade settlement in the Gatt talks.

But Japan's agriculture ministry, while suggesting no concession will be made on imports, yesterday insisted that if one were, tariffication (where subsidies or quotas are converted into tariffs, then cut), would be unacceptable.

Under the tariffication proposal, severe tariffs would replace the ban, but they would be gradually cut, letting imported rice take a substantial share of the 10m-tonne Japanese market.

Japanese negotiators plan to offer a once-only opening of about 3 per cent after the US and EC reach agreement on farm trade, although Tokyo will probably be prepared to offer as much as 5 per cent. Mrs Hills said an opening of this size and type would be unacceptable to Washington.

Tokyo's agriculture ministry is being pressed by factional leaders of the ruling Liberal Democratic Party (LDP), several of whom have called for rice liberalisation despite fears of local branches that an opening could undermine the party's popularity.

Mr Shin Kanemaru, an LDP factional leader regarded as Japan's most influential power-broker, said yesterday the government should open the rice market if it wants to continue the unimpeded export of manufactured products.

He did not mention tariffication, but said the government should consider the wishes of Japanese consumers as well as farmers', and if a market opening produces a rice surplus in Japan, the excess could go to developing countries.

See Commodities Page

UK NEWS

Opposition sets out agenda for EC talks

By Ivo Dawnay, Political Correspondent

BRITAIN'S opposition Labour party yesterday launched its counter attack on the government's negotiating position on European economic and political union, describing a single currency as an "essential foundation" for successful Community development.

Proposing a lengthy amendment to the government's motion for the two-day House of Commons debate on Europe, starting tomorrow, it criticised the Tory leadership for allowing internal party divisions to jeopardise British interests.

Similar charges were levelled in an amendment by the centrist Liberal Democrat party which called on the government to give "a firm commitment" to political and monetary integration, a single currency and an independent European central bank.

A Labour official said the aim of its alternative text was to contrast the party's constructive approach to the issues facing EC leaders at Maastricht with the Conservatives' defensive stance.

The Labour text detailed the party's broad approach to the forthcoming summit by highlighting the need for qualified majority voting in the Council of Ministers on social and environmental matters.

COUNTDOWN TO MAASTRICHT

It also repeated its backing for a Social Charter of employment rights, a proposal firmly opposed by the government as "intrusive".

Outlining the goals of the community's objectives as high levels of employment and sustainable non-inflationary growth, the Labour amendment concluded that economic and monetary union and a single currency were essential to safeguard UK interests.

The Liberal Democrat amendment took Labour's stance further with demands for common European policies on foreign affairs, security and defence policies.

The amendments came as Tory backbenchers continued to stake out their positions on the two day debate. Speculation was mounting last night that some hardline anti-European Tory backbenchers may propose a national referendum on the outcome of the Maastricht summit.

Tory supporters of closer European integration were also meeting last night to plan their next move in the run up to the summit. A delegation of 12 group members is scheduled to meet Mr Norman Lamont, the chancellor of the exchequer, today to demand closer integration.

Winds of power: a worker secures blades to a wind turbine at a hospital in Ashington, northern England, believed to be the first in the world equipped with such a generator

Europe taxes the skills of neutral speaker

Ralph Atkins and Alison Smith examine the dilemma facing Britain's political referee

AS MR SPEAKER Weatherill, a 70-year-old master tailor by profession, processes, bewigged, stockinged and gowned through Westminster's lobbies just before 2.30pm tomorrow, he will probably still be agonising over who should speak in the House of Commons debate on Europe.

His dilemma will be whom to call after Mr John Major, the prime minister, and Mr Neil Kinnock, leader of the Labour opposition, have finished their opening speeches. He has to balance, not only Labour and Conservative MPs, but the competing groups within the Tory party.

The nightmare scenario appeared last night to have been avoided. Mr Edward Heath, the former Tory prime minister, is expected to wait until the second day of the two day debate, a decision which would allow Mrs Margaret Thatcher to speak after the opening speeches tomorrow.

The prospect of them both rising to speak at the same time has been averted. Mr Heath might have claimed seniority; but to call him first would have snubbed Mrs Thatcher.

Balancing act: Speaker Weatherill consider his options

Decisions on who to call are ultimately for the Speaker. Former cabinet ministers in Parliament, have priority but within their ranks there is no convention on who is called first.

Lesser MPs will be hoping to catch the Speaker's eye later in the two-day debate. The pressure will be intense. Tomorrow's debate has already been extended by two hours until midnight because of the large numbers wanting to speak.

Mr Weatherill's staff will have collected background material from which he will make his decisions. He will hold his daily briefing with his deputies and House of Commons clerks late tomorrow morning in the gold-wallpapered library of his palatial Pugin apartment below the Big Ben clock tower. After the meeting on the day's business he will ruminate on the afternoon's running order over lunch.

MPs wanting to speak will probably have submitted a short note. They might write: "I would very much like to contribute because of my long-standing interest in the European Community. As I am sure you recall, I have not been called in the last four Europe debates."

Detailed lists are kept of who has spoken and who has intervened in prime minister's questions and in other exchanges.

Besides wanting to ensure that the minority parties have a voice, and weighing pro-Europeans against Euro-sceptics, Mr Weatherill will also be acutely conscious of complaints from back benchers that long and early speeches by privy councillors in set-piece debates can shut out most MPs. He will want to strike a balance.

Once the debate is underway, the jockeying will begin. Former heavyweight cabinet ministers such as Mr Nigel Lawson and Sir Geoffrey Howe – with whom the Commons is awash – may prefer to wait until the second day.

Mr Weatherill, Speaker since 1983, but planning to retire at the general election, is usually considered impartial by all sides. For two days he will have the most difficult job in politics.

BRITAIN IN BRIEF

UK Translink given record fine by court

Translink Joint Venture, the British side of the consortium building the Channel Tunnel, has been fined £125,000 after admitting it failed to ensure the safety of a worker killed in an accident.

This is the biggest fine yet imposed on the company over a tunnel death and the fifth time that Translink has been fined over health and safety issues during the tunnel's construction. Translink must also pay £25,000 costs.

Mr Keith Lynch, a 34-year-old grouter, became the seventh workman to die in the British side of the project when he was hit by a train in the tunnel on January 10 last year. Translink is a consortium of Wimpey Major Projects, Taylor Woodrow Construction, Tarmac Construction, Costain Civil Engineering and Balfour Beatty Construction.

French legal system rejected

The Law Society, the solicitors' governing body, has urged the Royal Commission on Criminal Justice not to abandon the UK's adversarial system of criminal justice. The society rejects the inquisitorial system common to continental Europe saying the French example was not a good alternative.

Royal Mail agrees pay deal

Royal Mail has agreed a five per cent basic pay increase with leaders of 150,000 postal workers in an eleven month deal described by trade union negotiators as "inflation busting". The deal will be a further blow to the government as it struggles to contain public sector pay.

Health budgets should balance

Year one of the new system of financing health care should end with a balanced budget, the National Association of Health Authorities and Trusts says in its autumn financial survey. The survey shows that 90 per cent of district health authorities, which purchase health care from hospitals under the new system, believe their financial allocation will meet all contractual obligations.

Repayments to charities

Charities received £35.5m in tax repayments on donations from the public of £109.6m during the first year of the government's Gift Aid scheme, the Inland Revenue has said. Figures for the quarter to June 1991 had to be revised downwards after calculation errors in the number and value of donations inflated the statistics.

Companies pay extra tax

Industrial companies are having to bear an additional burden of £400m a year in "surplus" advance corporation tax, according to a study published today by the London Business School. The study was partly financed by the 100 Group of big-company finance directors.

Oil output breaks 2m b/d

UK oil output broke through 2m barrels a day in October for the first time since March as higher production from the Brent, Fulmar and Beryl fields boosted overall output. Total UK production reached 2.03m b/d – up from 1.96m b/d in September. Production from the largest North Sea field, Brent, exceeded 310,000 b/d in October for the first time since December 1988.

IR to speed up shares valuation

The Inland Revenue (IR) is to speed up the process by which people can obtain a valuation of their unquoted shares to assess their liability for capital gains tax.

Those disposing of shares in unquoted companies will now be able to apply directly to the Shares Valuation Division (SVD) of the Inland Revenue, which assesses the value of their holdings at a base date of 31 March 1982.

EC alcohol plan is criticised

EC proposals for harmonising excise rates for alcoholic drinks in the single market would result in distortion of competition between spirits, beer and wine, according to an independent study by economic consultants. The Scotch Whisky Association, which is fighting to prevent any further widening of tax differentials between alcoholic drinks, has the report to UK government ministers and the Commission.

Business failures rise

Business failures rose by 6.7 per cent to 2,100 between the second and third quarters of 1991 and are now 78 per cent higher than at the same point last year, according to Trade Indemnity, the trade credit insurer. There were 606 insolvencies (compared to 547 in the second quarter) in building and construction, 499 (397) in engineering and metals, 131 (125) in furniture and upholstery and 79 (61) in food and agriculture.

UK NEWS

Recession fears fuelled by sharp retail sales fall

By Rachel Johnson and Paul Cheeseright

UK RETAIL sales volumes fell a sharp 0.5 per cent in October, confounding government forecasts of a pick-up in consumer demand to lead the economy into a second-half recovery.

The unexpectedly-bad economic news came at just the wrong moment for the stock market, which was weakened by Wall Street's 120.31 plunge on Friday. It also undermined the pound, and raised fears that the UK was to drop back into recession.

According to the Central Statistical Office's provisional estimates sales volumes fell 0.5 per cent last month after rising a marginal 0.3 per cent in September.

The October outturn was much lower than the market forecast of a monthly 0.5 per cent increase – which had been spurred by anecdotal and industrial survey reports of higher spending as well as government forecasts.

The underlying trend was little better than the monthly figure. In August to October, sales were down 0.3 per cent down on the previous quarter and also 0.3 per cent below levels in the same period in 1990.

There was no official breakdown of the figures but the Retail Consortium, which represents about 90 per cent of the industry, said rainy weather had stimulated sales of clothing and footwear.

Food and drink sales were flat, while household goods such as carpets, furniture and large electrical items were "depressed".

On a regional basis, Scotland and the north were weathering the downturn best while London and the south were faring worst, the consortium said.

In central England there is growing evidence that feeble demand is forcing retailers into aggressive marketing tactics.

While the Treasury stuck by its forecast of a consumer-led recovery, the news confirmed some economists' fears of a double-dip recession.

Mr Neil Mackinnon, of Yamaichi, the Japanese stockbroker, said: "The figures undermine any notion of a modest recovery. They are a poor start for fourth quarter GDP data and increase the risk of a double dip recession." He expected economic activity to contract in the last quarter of this year.

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Markets, Page 33

Government cuts debt by £2.1bn in October

THE UK government paid back £2.1bn of debt in October, in line with its Autumn Statement forecast that the public sector's borrowing needs would drop sharply in the second half of the year, writes **Rachel Johnson**.

October's repayment contrasts with the £2.9bn public sector borrowing requirement (PSBR) in September, when borrowing was running at double last year's levels and tax and privatisation revenues had yet to balance the books.

Borrowing in the year from April to October totalled £8.7bn, still over twice the £3bn deficit reached over the same period last year.

Behind the improvement in the fiscal position – the deficit in the year to September was £10.8bn – lie higher privatisation proceeds, which allowed a general government repayment of £2bn last month.

Total government receipts were boosted to £19.7bn, after a revised £14.7bn in September, as companies with a December year-end paid their corporation tax and proceeds arrived from the electricity flotation.

The improvement in the government's finances, however, is slight rather than marked over a year in which the recession has forced the government to raise its PSBR forecast to £10.5bn for 1991-92, after a Budget forecast of £8bn. Market forecasts had hoped for a bigger repayment of £2.4bn for October.

Developers face curbs on water pollution

By John Hunt

PLANS for roads, railways, mines and other developments in large parts ofEngland and Wales are to face tough environmental scrutiny and could be banned under radical proposals unveiled yesterday to protect underground water supplies.

The National Rivers Authority (NRA) is drawing up maps of regions where it will ban or restrict such activities if they threaten to pollute the supply of drinking water.

The protection zones will cover thousands of acres where underground strata provide 35 per cent of the country's drinking water.

The first area to be mapped is Staffordshire, central England. Vulnerable areas will include Lichfield and Stoke-on-Trent which are built on sandstone containing water.

The scheme will be tried on a voluntary basis but if necessary the NRA will take powers under the Water Act to enforce it legally.

The authority says it will resist proposals for roads, railways, mining, boreholes, shafts or cuttings which could adversely affect groundwater in the affected areas. Large building developments which had such an impact would also be resisted.

The NRA would object to waste containing dangerous substances being spread on land where pollution of groundwater could occur.

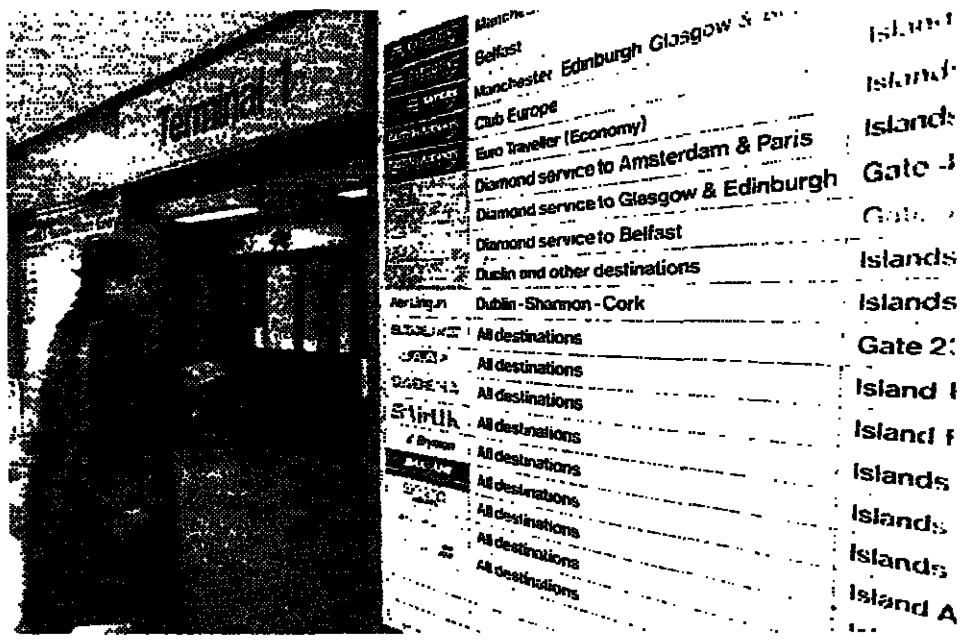
Certain activities close to underground water will be restricted if there is a risk of pollution. These include storage of chemicals, intensive livestock housing, use of chemical sprays and storage of farm wastes.

Consultation will take place until the end of January. The first zones will be declared soon afterwards and the process will continue over three years as the maps are completed.

The NRA will prosecute where old contaminated sites have discharged into underground strata or where they threaten to pollute water. Such sites include old gas works, waste dumps and former chemical works.

BAA gets clearance for Heathrow projects

The airports regulator has abandoned its tough pricing policy, writes **Robert Rice**



Passengers at Heathrow (above) may enjoy lower fares following the new pricing policy.

BAA, the airport operator, has confirmed that it is to go ahead with more than £1bn of planned investment for Heathrow following the Civil Aviation Authority (CAA) announcement of a revised and watered-down pricing formula for landing and parking charges at London's three main airports.

The revised formula, representing a significant shift by the industry regulator from the tough stance it adopted in July, clears the way for BAA to proceed with plans to build a fifth terminal at Heathrow by 2000 and the £300m high speed rail link between the airport and central London by 1995.

The revised five-year formula to apply from April next year will limit the rise in airport landing and parking charges at Heathrow, Gatwick and Stansted to the rate of inflation (RPI) minus 8 percentage points in the first two years, RPI minus 4 in the third year and RPI minus 1 in years four and five.

Mr Clifford Paice, a CAA director, said the effect would be that airlines at Heathrow and Gatwick would pay lower airport charges per passenger carried in 1992-93 than in 1991-92.

The softer pricing formula represents a victory for BAA which had been battling with the CAA over its proposal announced in July to impose a cut of 8 percentage points below the rate of inflation in each of the next five years.

Sir John Egan, BAA's chief executive, warned then that his company would have to reconsider its future investments programme if the CAA went ahead with its tougher than expected proposals.

Announcing a smaller than expected fall in pre-tax profits yesterday for the six months to September 30 – down to £150m compared to £205m for the same period last year – Sir John said: "The new traffic charges formula provides BAA with a basis on which to continue the profitable growth of its airports business."

The fall in revenues from landing and parking charges over the next five years will force the company to rely more on income from airport shopping and other commercial activities. Last year airport charges provided £327m or 40 per cent of the company's revenues from Heathrow, Gatwick and Stansted.

BAA received an unexpected boost last week when European finance ministers decided to postpone abolition of duty free sales in the EC until 1999. European duty free sales account for roughly £55m of BAA's annual revenues.

Although the revised pricing formula brings the CAA's proposals more into line with the recommendations of the Monopolies and Mergers Commission's five year review of BAA's south-east airports, Mr Paice denied yesterday that it amounted to a climbdown.

The MMC report recommended that a fair rate of return on capital for BAA over the next five years would be the industry average of 8 per cent which could be achieved by restricting rises in airport charges to no more than RPI minus 4.

The tough original CAA formula of RPI minus 8, offering a rate of return of 7 per cent, was generally seen at the time as a belated attempt to compensate for the over generous terms on which BAA had been privatised. Operating profit at Heathrow in 1990-91 was roughly £75m higher than forecast and at Gatwick £37m higher.

The revised formula will result in the charges payable by the airlines over the next five years being £100m lower than they would have been under the MMC recommendations and will give the BAA a rate of return of 7.5 per cent.

The CAA appears to have been persuaded to soften its line by the strength of support shown for BAA by the airlines during the consultation period and the fear that BAA would carry out its implied threat not to go ahead with the Paddington-Heathrow rail link and plans to build a fifth terminal.

The authority knows that as the industry regulator it must ensure not only fair treatment for consumers and the industry but also that necessary investments are made to meet the expected growth in air travel demand in the London area.

Mr Paice admitted to being "slightly surprised" that BAA had been so successful in persuading the airlines to put less weight on the level of charges and more on BAA's ability to provide them with improved facilities at Heathrow.

The CAA's revised formula is not expected to have a significant impact on airfares as landing and parking charges account for only about 5 per cent of overall airline costs, although Mr Paice said it "modified cost pressures on the airlines".

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BAA results, Page 21

Consultants to advise government on competition

By John Willman and Alison Smith

THE British government is planning to use management consultants to help ministries identify opportunities for putting more public work out for competitive tender, according to a new policy document on increasing competition in government administration.

Departments and executive agencies will be expected to set annual targets for putting new areas of activity out to tender and publish regular progress reports.

The Treasury minister Mr Francis Maude said average cost savings of 25 per cent had been achieved where "market-testing" had been applied to central government services. Any savings from further contracting-out would be ploughed back into improving services.

The policy document says it has been the traditional support services which have so far been contracted out. New areas to be considered include:

- professional and specialist services such as accounting, audit, design and project management
- executive and clerical operations – payments of subsidies, payroll, grant administration and bulk mailing, for example
- office services such as data processing, records storage and retrieval, messenger and courier services

A new Public Competition and Purchasing Unit will be set up in the Treasury to promote competition. The unit will help would-be tenderers with their applications and look for ways of streamlining procedures.

The policy document identifies steps to make contracting-out more attractive. The tax which government departments must pay on contracted-out services is to be refunded in full, so that contractors do not face unfair competition from in-house bids on which tax is not due.

Other changes to government accounting on superannuation and capital assets will improve the accuracy of costing procedures.

In the House of Commons, the announcement was warmly welcomed by Tory backbenchers, but received a muted response from Mr Chris Smith, an opposition Treasury spokesman.

Mr Smith admitted that the proposals might lead to some improvements in quality but warned that this would not automatically be the case. What was really needed, he said, was rigorous management in purchasing decisions, and open government.

Mr Maude responded with claims that Labour was the "party of the producer" and was "in hock" to public sector trade unions.

MANAGEMENT: The Growing Business

Stop that thief

Preventing crime involves both careful preparation and a willingness to involve staff, according to a new guide* from the Confederation of British Industry and Crime Concern, a specialist consultancy.

But with crime costing UK businesses £1m an hour – the equivalent of £10 a week out of every employee's wage packet – precautions can mean the difference between failure and survival, it warns.

Companies should discuss the issue of crime prevention with their staff or, in a larger company, form a small group to draw up policy. The policy document should make clear that everyone has a responsibility for crime prevention. This could involve closing windows or doors that have been left open or speaking up about something which has happened about which they feel uncomfortable.

The method for reporting incidents should be clearly spelled out. Report forms should be made available with a rule that they should be returned to a named individual within, say, 24 hours.

Management must make clear what is and is not permissible. It may, for example, forbid personal phone calls other than short, local calls. It should specify an open, anonymous communications channel which allows direct access to the top manager.

It should tell staff in detail how to respond to, for example, the discovery of a broken window; or suspicious cheque or credit cards.

Companies must be explicit about sanctions setting down what are dismissable offences. When the policy has been drawn up it should be checked by the company solicitor to make sure it is in line with employment law. It should then become part of everyone's terms of employment, the guide suggests.

Charles Batchelor

**Bottom Line Disappearing? That's a Crime. From Crime Concern Consultancy, 47C Marloes Road, London W8 6LA. Tel. 071 938 3271. 40 pages. £11.*

Charles Batchelor explains how a small crane company got big by making its own parts

Hoisted in its own back yard

When manufacturing companies around the world are buying in a growing percentage of components it takes nerve to buck the trend. When you are a medium-sized player in a fiercely competitive market, deciding to make more of your own components smacks of the foolhardy. But so far, for Street Crane, a manufacturer of overhead cranes, the strategy has paid off.

It was in the early 1980s that Street Crane decided it would be more cost effective to make its own hoists for smaller cranes capable of lifting weights of up to 15 tonnes. The company, which has turnover of £8.8m and a workforce of 150, had previously bought in the smaller hoists from overseas suppliers.

Outsiders doubted whether Street Crane could make the hoists more cheaply, says Andrew Pimblett, managing director. But the company's own calculations showed that it could and the prospect of acquiring full control of an important area of crane technology was an attractive one.

Street Crane's steady growth throughout the 1980s and its resilience in the face of recession prove the decision was justified, says Pimblett. The company, based in Chapel-en-le-Frith, in the Derbyshire Peak District, has doubled in size over the past three years and has broken into new export markets.

Pre-tax profits rose eight-fold between March 1988 and March 1990 when they peaked at £475,000. They fell back to £377,000 last year but the privately-owned company has never attempted to maximise declared profits and it has maintained an ambitious investment programme throughout the recession.

Electric overhead travelling cranes, Street Crane's speciality, are used in factories, dockyards and power stations. They consist of a girder with runners at each end and a moveable hoist in between. They run on tracks built high into the wall to leave the maximum space on the factory floor.

The decision to make its own hoists gave Street Crane additional credibility with customers and opened up new markets. Bringing more sub-assembly work in house did not in itself guarantee Street Crane's survival, let alone growth, but it did provide the basis for a marketing policy based on quality rather than price. When many competitors have launched "budget cranes" with stripped-down specifications to achieve sales, Street Crane has continued to emphasise quality.

At about the same time as its decision to make more of its own components Street Crane decided to move towards greater standardisation. Previously customers would describe the sort of crane they wanted and a draughtsman would prepare the drawings. Two draughtsmen could be working on similar cranes for different clients but produce two very different versions incurring widely varying costs.

Street still offers custom-made cranes, particularly in weights of 62 tonnes and upwards but the smaller cranes normally involve a standard set of components. Between 40 and 60 per cent of cranes sold are built to a standard formula, says Martin Street, production director.

Standardisation may have simplified the process of quoting for orders and making the crane but Street Crane still needs a sophisticated computer system to keep track of 33,000 different components.

When design drawings are necessary they can be produced in 10 minutes rather than two days by manual methods. When Street Crane wants to quote for an order its sales staff can feed the customer's requirements – for girder span, working load, speed – into the computer which then selects the components required. This allows the salesman to prepare basic design drawings, compile a quotation and fax it to the customer in a matter of minutes, says Keith Rainford, sales director.

> **'We don't have institutional investors breathing down our neck so we can invest'**

Andrew Pimblett: delivered his cranes on time

The computer allows the company to recalculate the cost of materials and labour each week. This takes the guesswork out of pricing orders and ensures that each one makes a profit. Computerisation also enables the production department to schedule jobs through the works. Tight production planning has been forced on Street Crane by the limited space available in the factory. The company has just-in-time delivery of components and aims to make delivery of the crane as soon as it is complete. However, some customers are clearly disconcerted by the tight schedules.

One large buyer sent along an inspector unannounced to check on the progress of an order three weeks ahead of the delivery date. All the parts had been ordered but assembly had not started. The inspector left, unconvinced that Street Crane would deliver on time.

When he returned with a large deputation of quality inspectors five days before delivery two of the cranes ordered were complete and the third was waiting to go into the paint shop, Pimblett recalls with a smile. Delivery was made on the date agreed.

In common with a growing number of companies Street Crane has brought in quality assurance systems which conform to British Standard 5750. It has spent the past three years adapting its procedures to the standard.

Keith Eastwood, chairman, estimates that BS5750 has cost Street Crane £500,000 including computerisation and staff training. Despite the recession the company has maintained an ambitious investment programme, spending £100,000 on a test rig, £300,000 on computer numerically controlled machine tools and £130,000 on a factory extension.

All of this spending has been financed from retained earnings, says Pimblett. Street Crane has no bank borrowings or bank overdraft. This is due in large part to the fact that the company is in private family ownership. It has five shareholders, four of them members of the Street family, and Eastwood. The family shareholders are Peter Street, who founded the business after leaving the RAF in 1945, and his three children, of whom only Martin works in the business.

The company does not pay dividends and puts a large chunk of retained profits back into the business. "We have spent at a greater rate than the opposition over the past 10 years," says Martin Street. "We don't have institutional shareholders breathing down our neck so we can invest in projects like the hoist."

Private status has meant that in its early years Street Crane was short of funds. But good levels of profits over the past 10 years have allowed the company to grow. Spurts of rapid growth have always been followed by periods of consolidation.

Exports have played an important part in the company's recent expansion. Traditionally Street Crane's exports have been to the Middle East but it has been attempting to increase sales to continental Europe and this market accounted for 35 per cent of sales last year. The upturn in demand from the Netherlands, Belgium, France and Denmark came just in time to make up for the decline of the UK market.

But expanding sales overseas depends very much on finding local partners. Shipping heavy cranes long distances is not economic so Street Crane must find companies which can make the girder spans locally and fit in the hoists and other clever components supplied from Chapel-en-le-Frith. Street Crane has signed up a partner in the Netherlands but it must work hard at extending this network.

It faces a double challenge over the next few years. Private ownership, a concentration on a niche market, an emphasis on quality and tight management systems have allowed Street Crane to prosper in tough conditions. But as it grows larger it will find itself in increasing competition with international competitors such as Mannesmann Demag of Germany and Kone of Finland.

It may also have to deal with the issue of family ownership. Britain does not have the same tradition of privately owned, medium-sized companies which has served Germany so well.

Deeply engrained attitudes to family businesses and the sophistication of the UK stock market mean relatively few businesses grow to any size without either selling out or going public.

In a Nutshell

Graduates help the export push

An initiative to use unemployed graduates to help small UK companies overcome the difficulties associated with exporting has been launched by Project North East, a Newcastle upon Tyne enterprise agency, and Wearside Training and Enterprise Council.

Sixteen North East graduates will fly to Eindhoven in the Netherlands in January to carry out marketing research for eight Wearside businesses. They will work with a similar number of unemployed Dutch graduates who will travel to Wearside later in the month.

The UK graduates have undergone a six-week training course and will spend a total of three months on placement with the British exporting companies. Project North East plans similar graduate exchanges with Germany and other continental European countries.

Project North East Tel. 091 261 7856.

A legal sop for ESOPs

The rules governing employee share ownership plans (ESOPs) should be changed to make them more attractive to businesses, according to the ESOP Centre, which promotes these plans. At present most businesses set up what are known as "case law" ESOPs as opposed to "statutory" ESOPs which are more restrictive but which allow shareholders who make shares available for the ESOP to defer capital gains tax.

The centre has written to the Inland Revenue proposing a series of changes to the trustee requirements set out in the 1989 Finance Act. Under that legislation the majority of trustees of a statutory ESOP must be employees.

This poses difficulties for many smaller private companies or larger ones with widely dispersed workforces. Often the appointment of employees brings no real benefits because trustees' powers are carefully circumscribed and the trustees must anyway act unanimously, the centre said. In addition, many employees are unwilling to take on the responsibilities of a trustee.

The centre is in favour of ESOPs having either a single corporate trustee or a professional trustee.

ESOP Centre. Tel. 071 636 5214.

All women together

Milton Keynes Business Venture, a local enterprise agency, has set up a Women's Enterprise Centre to provide more of a welcome for female clients who would prefer to talk about their business plans with another woman.

One third of business counselling sessions are with women but previously all of the agency's counsellors were men. Clients will now be offered a choice.

Contact Jan Burnes. Tel. 0908 660044.

TECs mend their ways

Four Training and Enterprise Councils (TECs) have agreed to collaborate in backing training for the owner managers of small businesses at Cranfield School of Management.

TECs from Hertfordshire, Cambridgeshire, Bedfordshire and Milton Keynes and North Buckinghamshire are to sponsor businesses taking part in Cranfield's enterprise development programme, a six-month course involving seminars, workshops and counselling sessions.

Some business schools and colleges have been forced to drop their enterprise development programmes, which are among the most intensive and expensive on offer to small firms, because their TECs have been unwilling to provide funding.

Loadsamoney up North

Granville & Co, a London-based investment bank, is raising a development capital fund of up to £15m to invest in the north west of England. It hopes to raise much of the money from pension funds in the region.

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FT LAW REPORTS

Conditional Mareva is discharged

THE VERACRUZ 1
Court of Appeal (Lord Justice Nourse, Lord Justice Beldam and Sir John Megaw): November 7 1991

A MAREVA injunction to restrain a defendant from dealing with his assets pending judgment will be discharged to the extent that it is granted conditionally to come into effect when an anticipated cause of action arises, in that an injunction can only be granted in respect of a pre-existing cause of action.

The Court of Appeal so held when allowing part of an appeal by the defendant, VC Shipping Co Inc of Liberia, seller of Veracruz 1, from Mr Justice Hobhouse's decision refusing to discharge a Mareva injunction obtained against it by the plaintiff buyer, Veracruz Transportation Inc of Liberia.

LORD JUSTICE BELDAM said that the terms of an agreement for sale of Veracruz 1 for $9.9m were set out in a memorandum dated June 23 1989.

It recorded that the vessel and class records had been inspected and accepted by the buyer. She was to be delivered in substantially the same condition and order as when inspected.

The latest date for delivery was May 31 1990. The agreement provided for arbitration in London and the proper law of the contract was English law.

On November 29 1989 the vessel was laid up. To comply with the Classification Society's periodical survey and to put her into substantially the same state of repair as when inspected by the buyer, repairs costing more than $3m were necessary.

She was not ready for delivery until mid-November 1990. For the purposes of the present proceedings it was conceded that the seller was in breach of duty to deliver on the contractual date. The buyer referred to arbitration.

By November 1989 the buyer believed the repairs to put Veracruz 1 into the condition required for delivery had not fully been carried out.

The contract provided that payment of purchase price was to take place on delivery. The seller was a single ship company registered in Liberia. The buyer was concerned that the purchase price paid in London would be the seller's only asset within the jurisdiction and that, fearing an adverse arbitration award, it would remove it, thus rendering the claim worthless.

Therefore, on November 12 when the seller gave notice of intention to deliver, the buyer applied *ex parte* to Mr Justice Gatehouse for a Mareva injunction. An injunction was granted, restraining the seller from dealing with $7.2m, of the price payable on delivery. The order was not to come into effect until after delivery and payment.

In addition to its claim for damages for delayed delivery, the buyer claimed for breach of the term that on delivery the ship would be in the same condition as when inspected.

The seller applied to discharge the injunction or reduce the assets subject to the order on the ground, *inter alia* that until delivery the buyer had no cause of action for defective condition; and that the buyer had seriously misled the court about the ship's condition and the need for repairs, and failed to make proper disclosure.

Mr Justice Hobhouse held that once the purchase price had been paid the buyer would have no effective remedy for breach of contract, and it was a clear case for Mareva relief. He said most of the seller's allegations of non-disclosure or misrepresentation were of no substance, and that though there was an element of exaggeration by the buyers it was of little significance.

But, he said, the seller's criticism was justified in one respect in that the buyer's affidavit evidence had misrepresented that the seller had exerted itself to conceal defects from the class. He held the misrepresentation was "culpable", but in the circumstances of the case it did not justify total discharge of the injunction.

The judge held that a good arguable case had been made out for $700,000 and $1.6m damages for alleged defects and delayed delivery respectively.

Having rejected the seller's submission that he should discharge the injunction because of the misrepresentation and exaggeration, the judge continued it but varied the figure with interests and costs to $2.8m. The seller now appealed.

The first question was whether Mr Justice Hobhouse had jurisdiction to make the order based on alleged apprehended breach of the obligation to deliver in the stipulated order of repair, when no cause of action for damages in that regard had yet accrued.

The High Court had power under section 37 of the Supreme Court Act 1981 to grant an injunction where it appeared just and convenient to do so.

Such power, however, was subject to the decision in *Siskina (Cargo Owners) v Distos SA [1979] AC 210* which held that the right to obtain an interlocutory injunction was not a cause of action which could stand on its own. It could only arise from a pre-existing cause of action.

The buyer and the judge relied upon *A v B [1989] 2 Lloyd's Rep 423* where Mr Justice Saville accepted that the court could grant Mareva relief in the form of a conditional injunction so worded that nothing in the order came into effect until delivery.

Mr Justice Hobhouse further based his decision on the great inconvenience which would be caused if the court did not have power to grant relief in that form for, as he said, where a buyer feared there would be breach of contract giving rise to a cause of action on delivery and his obligation was to pay on delivery, the "window of opportunity" for him to obtain relief was virtually non-existent. The judge referred to the practice of the Commercial Court which had developed granting relief in such conditional form.

Counsel for the buyer emphasised the convenience of such a practice.

Though it might be convenient to the applicant to obtain an order which anticipated his cause of action, the court had to balance such convenience against obvious inconvenience to the other party.

The principle firmly established by authority, that the right to an interlocutory injunction was dependent on a pre-existing cause of action, should not yield to the argument of convenience.

In *Siskina* Lord Bridge said at page 243: "We should not allow the urgent merits of particular plaintiffs whom we see in peril of being deprived of any effective remedy to tempt us to assume the mantle of legislators."

For those reasons the judge was wrong to grant relief relating to the buyer's claim for defects which it feared would be present when the ship was delivered.

The buyer could not by Mareva injunction secure retention before delivery, of whole or part of the purchase price against feared defects. The appeal was allowed on that issue.

The seller's next contention was that the judge should have discharged the injunction altogether. It was said he failed to consider the cumulative effect of exaggeration, misrepresentation, failure to give notice of hearing and unsubstantiated allegations of damage.

The judge did consider all these matters, though he did not collect them together or estimate their cumulative effect in one paragraph. He was not bound to do so. He considered and weighed all the relevant matters.

That ground of appeal was therefore rejected. The judge's decision that, insofar as there was an existing cause of action for damages for delay in delivery the injunction should be continued, was upheld.

The order was continued in the sum of $1.6m with costs and interest. To that extent the appeal was allowed.

SIR JOHN MEGAW, agreeing, said there was no valid reason in logic or practical convenience in the interest of justice, why jurisdiction should not exist in respect of Mareva injunctions with the qualification which Mr Justice Saville applied in *A v B*, namely, that the injunction should not operate unless and until the anticipated cause of action had arisen. But the court was precluded by authority from so deciding on this question of technical jurisdiction.

LORD JUSTICE NOURSE also agreeing said it had been urged on the court that its decision would bring to an abrupt end a burgeoning practice to grant Mareva injunctions in the manner devised by Mr Justice Saville. If expedience could enter into the court's decision it would wish to uphold the practice. But the outcome of a question of jurisdiction could not be influenced by arguments of expedience.

For the seller: Michael N Howard QC and Timothy Brenton (Constant & Constant).

For the buyer: Charles Macdonald (Ince & Co).

Rachel Davies
Barrister

ARTS

Influence from the East

The Japanese word for foreigner is still *gaijin*, "barbarian", and if a sophisticated and ancient society can retain, in the late 20th century, its cultural insularity more or less intact, how much more extraordinary and horribly fascinating the world must have seemed to it 140 years ago, when its commercial and diplomatic barriers were at last so rudely broken down. To be fair, the compliment was returned in kind, the curious and astonished traveller looking through the breach upon an alien and feudal world, at once so primitive and so refined. Today the Japanese, technologically advanced and westernised to a degree, remain very much, and proudly so, a race apart.

The seal that kept the old Japan of the Shoguns from the world at large was never hermetic. The Dutch maintained a privileged trade through the enclosed port of Yokohama, and goods had been reaching Europe in variety and quantity enough to work their effect on cultivated taste, especially that for porcelain. Just so had western work filtered through into Japan – enough at least to impress upon artists as receptive as Hokusai, for example, the principles of formal perspective.

But with the forcible intrusion of Commodore Perry's squadron in 1853, followed some 15 years on by the fall of the Shogun and the Meiji Restoration, the mutual cultural curiosity between Japan and the West became intense. Three years ago, in *le Japonisme*, a *remarkable exhibition* at the Grand Palais in Paris, the subject was explored in all its aspects as an international phenomenon. Now, with *Japan and Britain: An Aesthetic Dialogue 1850-1930*, at the Barbican Art Gallery as part of the Japan Festival (until January 12: sponsored by British Petroleum), that again covers everything from pots to paintings, it is given a more national gloss.

Emphasis is rightly given to the traffic both ways, expressed in Japan in the further adoption and refinement in understanding of western graphic principles, of western styles of architecture, of western clothes. Japanese artists came to work in Europe in the European way. Some of them looked to the Academy for their example, some to the pre-Raphaelites, some to the several readings of impressionism. Though their subjects were as often Japanese as ostensibly European, the western treatment was the same.

'Flowers and Fruit (Japanese background)' by Samuel John Peploe c. 1916 currently at the Barbican

While they produced nothing remarkable, let alone innovative or influential, it was honourably done, quite as much in achievement as in intention. Here, for example, with Hara Busho's academic standing nude (1907), the Ishibashi Kazunori seated portrait of a woman reading (1906), and the portrait of a lady in a kimono by Okada Saburosuke (1908), we find paintings delightful in themselves, that would have been unexceptionable to any Edwardian New English Art Club exhibition.

On the British side, there were the artists who travelled to Japan to respond directly to what they saw. Most notable of these were the two Scotsmen, George Henry and Edward Hornel, who were in Japan together in the 1890s. Henry's head of a geisha *profile perdu*, effectively a portrait of her coiffure and painted with a formidable fluency, is the most spectacular single image in the show. And there were the artists who were directly impressed and influenced by what they knew, or thought they knew of the Japanese art made familiar to them by the cult of all things Japanese, the blue-&-white, the prints and the lacquer, that was the hall-mark of aestheticism.

Within this category must be included not just the obvious names of Whistler and Moore, Steer and Tissot, Guthrie and Nicholson, but the ceramists and furniture designers and silversmiths, Leach, Mackintosh, Dresser and company, through whose work the influence of things Japanese were tacitly disseminated through our society at large.

In this respect the importance of the cult of Japan in relation to the Aesthetic Movement is manifest, and it is the weakness of this exhibition that it should not have been explored more fully. Least interesting here are the many late Victorian paintings, worthy as they are, that merely document the ornamental currency of Japanese artefacts in the background of bourgeois Victorian life. That said, it is only fair to add that the Aesthetic Movement is a large and important subject in itself, and long overdue its proper study exhibition.

The importance of Japanese art to the artists of Aestheticism is well known, but bears repetition simply because the work is so good. The British contribution, together with artists working in Britain, is distinct enough, with Whistler inevitable in his eminence. In France the Japanese example was more opportunistically taken as freedom to accept radical simplicities in drawing and design, and then get on with what was being done anyway. In Britain, perhaps by virtue of Whistler's own innate and irrepressible dandyism, it was all these things, and delicate and reflective too. In this it came closest in sensibility to what was truly Japanese, and all achieved by the simplest of means. And what wealth of subtlety there is in that simplicity.

Albert Moore is a major artist, yet much under-rated and misunderstood. His girl stands classically *statuesque* in the courtyard, scattering petals, but it is in the azalea that forms an open screen of twig and blossom behind her, drawn with so sure yet light a touch, that we catch the authentic pictorial whisper of that aesthetic dialogue.

William Packer

Wilhelm Grosz

ALMEIDA THEATRE

On the list of the most significant musical figures forced into exile by the Nazi regime, the name of Wilhelm Grosz has up to now not made much of an impression. If his *Bänkel und Balladen* – the four 1931 cabaret songs performed on Sunday afternoon with sizzling, raucous eloquence by the chamber-group Matrix and the baritone Andrew Shore under Robert Ziegler – are anything to go by, this is an oversight that urgently needs correcting by further acts of re-discovery.

Grosz, born in Vienna in 1894, came in 1934 to Britain as a Jewish refugee, and died in New York five years later, having left behind him (under the names of Will Grosz and Hugh Williams) such durable hit-tunes as "The Isle of Capri" and "Red Sails in the Sunset". But prior to being put to flight by the Nazis, he had been a noted composer of both serious and light music for theatre and concert performance. The discovery of jazz seems to have directed Grosz away from the grandiose post-Wagnerian style of his teacher, Franz Schreker, toward the idiom so captivatingly demonstrated by Matrix – Berlin-bluesy, with cabaret dance-rhythms and instruments (accordion, saxophone, tinkly piano) used simultaneously to entertain and to provoke a sense of "social" disquiet.

Each of these astonishing four songs places itself in territory we have learned to think of as firmly under the Brecht-Weill flag; the cracks about telephones, nightclub life, businessmen and blondes, and war between the sexes conducted on the most cynical level, might have come direct from the *Mahagonny-Songspiel*. But in the most remarkable of the set, "The Ballad of Kuttel-Daddeldu the Sailorman", the tale of gutter-level boozing and roistering evokes a devil-may-care world, seconded by acidly witty melodic and instrumental detail, that is all Grosz's own. His melodies have curves and bumps unlike Weill's: less sinuous, more irreverent.

For the occasion – the penultimate concert in the current Almeida series of German music entitled "A German Legacy", also featuring exhilarating performances of mostly-1920s music by Hindemith, Antheil and Stefan Wolpe – Matrix had commissioned a virtuoso translation of the Grosz songs from the Brecht scholar John Willett. Mr Shore, an admirable Don Pasquale, Gianni Schicchi and Falstaff on the opera stage, transformed himself into a band-singer as to the manner born – silky-toned and abrasive by turns, complete with red carnation, swivelling hip-movements and oleaginous leer.

I should have like to rush the whole ensemble straight into a television or recording studio, or both: such surprising and elating acts of reclamation deserve further preservation.

Max Loppert

Music on the South Bank

The surge of recording activity during the 1980s brought a wave of previously neglected orchestras to the public's notice. Those from the British provinces were the main beneficiaries, but the record companies also went into other areas of Europe, including Scandinavia, and it is difficult to see why the Royal Stockholm Philharmonic did not make more of a splash in that decade.

To judge from its Royal Festival Hall concert on Saturday, it certainly deserved to. There is a fullness of sound which sets this orchestra well above others of a supposedly similar stature that have visited this country recently. One sensed that each member understood exactly where his or her place in the sound picture was, even though music director Gennady Rozhdestvensky kept his players on a fairly loose rein.

The concert began with what is becoming a familiar trick. A reasonably popular programme is announced. Then, when the audience arrives, it finds a short 20th-century piece, which might have frightened away paying customers, added at the beginning. At under 20 minutes, *Kontakion* by the Ingvar Lidholm was barely long enough to give any idea of the Swedish composer's personal style, a single extended section of "incantations" with low trombone pedals and bell motifs towards the end apart. This was the standard token gesture of local music from a visiting orchestra and as little rewarding as any, despite the use of a vast array of instruments.

It was only with Sibelius's Second Symphony that the orchestra began to show what it can do. Rozhdestvensky takes this music as slowly and grandly as he dares, drawing out the string themes, exhorting the brass perorations to ring out momentously, and all with a warmth of feeling that would have made Barbirolli proud. The performance worked, first because there is still a lot of Tchaikovsky in the Sibelius of this period, and secondly because it was very well played.

The First Violin Concerto of Shostakovich had been less fortunate. Despite good intentions on the part of Rozhdestvensky and the soloist, Igor Oistrakh, there was not enough intensity in the opening movements to get the piece to take off. A return visit is needed for this admirable Swedish orchestra to lay its claim once and for all on the '90s.

Richard Fairman

Sunday's performance of Berlioz's *Grande Messe des morts* was given by the Royal Philharmonic Orchestra and a large combined choir – the Royal Choral Society and the Goldsmith's Choral Union – conducted by Michel Plasson. For at least one Berlioz-fanatic in the hall it was a distressing occasion: a masterpiece of 19th-century choral music reduced to near-gibberish by dismal playing and singing and an unsuitable venue. But perhaps some good will come out of its failure; perhaps the experience will prove instructive for concert promoters in the future.

This is not a work for the Festival Hall: the point has been raised here before, but on Sunday it was proved beyond all argument. The Requiem, composed for Les Invalides in Paris, was written "architecturally" – to resound in a large, reverberant performing space in ways that set both the building and the listeners vibrating with the apocalyptic vastness of Berlioz's vision. The acoustical dryness of the Festival Hall musical undermines the architecture.

Plasson's disposition of the brass bands (and, in the "Sanctus", the tenor soloist John Aler) to distant boxes and balconies may have counterfeited the earth-shattering brass-and-drum outbursts with a modicum of success, but the contrasting "small moments", no less numerous or significant in the musical drama, were simply killed off. Even if the various musical forces had shown themselves less inadequately rehearsed and less obviously unfamiliar with the conductor's beat, the difficulties posed by the hall would no doubt have continued to seem pretty insuperable. As it was, the elderly, infirm tone-qualities and straggly ensemble produced by these two venerable choral institutions delivered the *coup de grâce*.

Max Loppert

The best and worst under the Dance Umbrella

Plenty of what happens each year under the Dance Umbrella is not what *you or I would call dance. Some of it* would fit better under the labels "performance art" or "mime." Does that matter? Well, I wish that some Umbrella artists were better known outside the dance world.

Eiko and Koma, for instance. I believe that this Japanese husband and wife, long resident in New York, are two of the world's greatest performers. They perform in small-scale venues; and that is where they belong. The absorbing detail of their movement should be seen from as close quarters as possible. What they do is, paradoxically, both intensely expressive and utterly ineffable. "Slowness is beauty," said Rodin. Eiko and Koma often move more slowly than anyone I have ever seen; but with no hint of trance-like torpor. You watch as you might some biological drama through a microscope.

Every tiniest shift is compelling, and speaks in strange ways of the human will. Their faces drained of all emotion, they spend much of the time on the floor, lying slumped so weightily that each movement seems to be achieved despite great reluctance or against all the odds. And, when sometimes their faces and/or limbs stretch up towards the light, it has the urgency of great emotion. Detail upon detail registers *with moving power: the droop of a* head; the inward sickling of one foot while the other arches; a tiny spasm passing through the whole body; a hand scrabbling in a layer of dirt; a mouth opening in a silent cry.

*Eiko and Koma do not project them*selves as strongly distinct characters, and the strange stories they tell have the heroic impact of the sagas of whole forgotten tribes. Or not so forgotten: *Land*, the piece they showed here this year, was to drum and flute music played live by two native Americans, and one of its scenes involved a buffalo carcass. This work was more expressionist, less marvellously ambiguous, than *Grain*, which they showed here in 1986; but it made me realise even more what exceptional performers they are.

Another not-strictly-dance artist, whose work I'd like to be seen more by people interested in experimental theatre, is Yolande Snaith. She too works on a small scale, in smallish spaces. Yet in one respect she is the nearest thing Britain has had to a Martha Graham: that is, she puts images and symbols from her own subconscious onto the stage, and creates dream worlds from them. Until this year, however, her urgent, nonsense works have been pre-sexual, like Lewis Carroll's.

This year's *No Respite* was still Carrollian. The dominant image was card-playing, and a shower of cards near the end evoked Alice's cry of "You're nothing but a pack of cards!" *No Respite* was far thinner than previous Snaith cre*ations; but it was always the work of a* natural theatre artist who can refresh the audience with a slight change of nuance. And its new element – herself competing with two men in various ways – may prove a breakthrough in *her work to come*.

The trouble with the new American choreographer, Doug Elkins, who performed here with a company of seven co-dancers, is that he is just too flip. Feeble little jokes, false starts, fake endings, oh-is-this-a-live-performance double-takes ... To one pure-dance work he added sexual-politics slogans, but in so casual a manner (T-shirts saying "Dyke" and "I'm Not Gay But My Boyfriend Is") that some observers found it homophobic.

Actually, Elkins has some real talent. His dances are magpie arrays, with bits taken from break dancing, ballet, the best modern dance idioms and more. They feel more casual and crazy than they are, they use the whole body with variety and precision, and they respond vividly to a wide range of music. Like so many American choreographers, Elkins can hear old music in surprisingly modern ways. And the way, in choreographing a whole piece to chunks of flamenco and *Carmen*, he avoids any Spanish dance motifs shows a smarter kind of wit. Right now, Elkins isn't interested in craftsmanly constructions. There is, nonetheless, sophistication beneath the adolescent facade.

The New Zealand choreographer Douglas Wright, known for the seasons *he danced with* Paul Taylor *and* DV8, presented two of the works he has been making recently in N.Z. His dancers are excellent – strong, fresh and athletic. It was good to see how much he had learnt from Taylor and Mark Morris *(and good too to see that he had learnt* something but not too much from DV8's Lloyd Newson). o one in the US or even Europe would imitate the masters quite as closely as this; the resemblances between his 1990 Vivaldi *Gloria* and Mark Morris's 1984 one are legion. Still, though Wright is not radically original and though his dances only skate over their music's surface, he is a true dance-maker.

My awards for Dance Umbrella 1991? Best choreography: Trisha Brown. Best performers: Eiko and Koma. Best newcomer: Doug Elkins. Best British choreography: no award given this year. Best British performer: Julyen Hamilton. Most honourable failures: Yolande Snaith's *No Respite* and Laurie Booth's *New Text/ New Kingdom*. Foreign artists least worth bringing to Britain: the Muscle/Voice collective from P.S.122, New York. Worst Japjunk: Company Karas. Worst Eurotrash: the Béjart parts of Valli Subbiah's *Trikonam*. Nastiest coincidence: the fact that the Umbrella featured its first dose of Béjart just as – thanks to Sylvie Guillem – the Royal Ballet allowed Béjart the first time into Covent Garden repertory. Performer least worthy of inclusion under the Umbrella: Gaby Agis. Best crossover artist: Russell Maliphant *(formerly of Sadler's Wells Royal Ballet*, now with Laurie Booth).

Alastair Macaulay

Prize pickings for music and literature

Christmas presents are distributed early in the arts world and the annual award ceremonies are already in full swing. On Sunday night the big money was distributed, with the SCO (the preferred description of the Scottish Chamber Orchestra) scooping the £100,000 from the Prudential Arts Awards. It was given in recognition of the SCO's thirst for new works – 25 commissions this year alone – and the cash will go towards yet more compositions.

Yesterday the Gramophone Awards took place on a much grander scale than in the past, thanks to a substantial sponsorship from Technics. This has become the major prize giving for classical music and attracted to the Dorchester Luciano Pavarotti, Joan Sutherland and Isaac Stern. Of course they all won awards – Sutherland presenting Pavarotti with the trophy for Artist of the Year while the tenor reciprocated by giving the Dame a new Award for Lifetime Achievement.

Stern picked up an award for his contribution to the Brahms Piano Quartets, which won the Chamber music prize. John Eliot Gardiner was the star of the occasion picking up three gongs, for Record of the Year and Choral Award (for Beethoven's *Missa solemnis*), and for Opera, with *Idomeneo*. A new prize was the Technics Award worth £20,000 to enable a promising newcomer to make their first recording. Chosen by John Drummond, controller of Radio 3, it went to the conductor Mark Wigglesworth.

The SCO was a surprise winner of the Prudential. It beat other category winners, Dulwich Picture Gallery (visual arts); Mecklenburg Opera (opera); Gate Theatre London (drama); and DV8 Physical Theatre (dance), all of whom received £25,000. The special £5,000 Arts Council Award went to Lucy Neal and Rose de Wend Fenton, originators of the London International Festival of Theatre.

Meanwhile the richest fiction prize in the UK, the £20,000 from the Sunday Express, went yesterday to Michael Frayn for his novel *Landing on the Sun*. The runner up writers were Angela Carter, Michael Dibdin, Jennifer Johnston, Thomas Keneally and William Trevor, all, apart from the last, conspicuously missing from the Booker Prize short list.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

ATHENS

Concert Hall 20.30 I Virtuosi di Praga in an all-Mozart programme, with Elizabeth Vidal soprano soloist. Repeated tomorrow, Thurs and Fri with Oldrich Vlcek and Zdenka Pelikanova violin soloists. Sat: La Camerata in a programme of music for chamber orchestra and Mozart arias sung by Marina Krilovitsi (722 5511)

BERLIN

Schauspielhaus 20.00 I Virtuosi di Roma in a programme of baroque music. Tomorrow: RIAS Jugendorchester in a concert performance of Bartok's Duke Bluebeard's Castle. Thurs, Fri, Sat: Gustav Kuhn conducts the Berlin Symphony Orchestra. Sun: piano recital by Garrick Ohlsson (East Berlin 2272 261)

BOLOGNA

Teatro Communale *21.00* Accordion: ballet by Moses Pendleton, music by Peter Gabriel. The 1991-2 opera season opens on Sat with Werther, conducted by Riccardo Chailly and staged by Hugo de Ana, with Giuseppe Sabbatini in the title role. The production runs till Dec 15 (529999)

BRUSSELS

This week's events at the Palais des Beaux Arts include a concert tonight by the Amadeus Trio (the three surviving members of the Amadeus Quartet) with the pianist Georges Pludermacher. On Sun, Andrew Mogrelia conducts the Residentie Orchestra from The Hague in a programme including Mozart's Prague Symphony and Brahms' First Piano Concerto, with Rian de Waal (507 8200). At the Monnaie, Gianfranco Masini conducts concert performances on Thurs and Sun of Donizetti's La favorita, sung in Italian by a cast led by Dimitri Hvorostovsky and Agnes Baltsa (219 6341). The Theatre National's second production of the season is Buchner's Leonce and Lena, directed by Philippe van Kessel, opening on Thurs *and running till* Dec 7 (217 0303)

FRANKFURT

Alte Oper Tonight's concert by the London Symphony Orchestra, conducted by Mstislav Rostropovich, is an all-Prokofiev programme: the Russian overture, the Second Violin Concerto with Itzhak Perlman and the Sixth Symphony. Tomorrow's piano recital by Zoltan Kocsis includes two Beethoven sonatas, plus music by Liszt and Bartok. On Thursday and Friday, Paavo Berglund conducts an all-Sibelius programme, including the Violin Concerto played by Viktoria Mullova. On Saturday, the North Hungarian Symphony Orchestra and Budapest University Choir perform Kodaly and Bruckner. Sunday: the Dubliners (1340 400)

Opernhaus This week's repertory consists of La traviata tomorrow, with Margaret Marshall as Violetta; choreographies by Balanchine and William Forsythe on Saturday; and the first night of a new production of Lohengrin on Sunday, staged by Nikolaus Lehnhoff (236061)

Jahrhunderthalle Hoechst Nederlands Dans Theater's visit tomorrow consists of choreographies by Hans van Manen, William Forsythe, Mats Ek and Jiri Kylian. On Saturday, Lucia Aliberti and Paata Burchuladze sing arias accompanied by the Rhineland-Pfalz State Philharmonic Orchestra (3601 240)

English Theater Kaiserstrasse Friday is the first night of a new musical play entitled Blood Brothers by Willy Russell, running *daily except Monday till February* 22. It traces the lives of twin boys who are separated at birth, brought up very differently and later become friends without knowing their true relationship (242 3160)

LONDON

Sadler's Wells 19.30 London Contemporary Dance Theatre opens a two-week season (071-278 8916)

Queen Elizabeth Hall 19.45 Nikolaus Harnoncourt conducts Concentus Musicus Wien in symphonies and arias by Haydn and Mozart, with Eva Mei soprano. Tomorrow, Fri, Sun: Opera Factory production of Don Giovanni (071-928 8800)

Purcell Room 20.00 Lorraine McAslan plays violin sonatas by Mozart, Martinu, Frank Bridge and Richard Strauss (071-928 8800)

Barbican 19.45 Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra in The Nutcracker Act II and Shostakovich's Tenth Symphony. Tomorrow: Skrowaczewski conducts the Halle (071-638 8891)

Covent Garden 19.30 Georg Solti conducts Elijah Moshinsky's new production of Simon Boccanegra, with Alexandru Agache and Kiri te Kanawa, also Fri. Tomorrow and Thurs: new William Tuckett ballet (071-240 1066)

MADRID

Tonight at the Auditorio Nacional de Musica, David Parry conducts the Queen Sofia Chamber Orchestra in the world premiere of Asmara, a new work by Fernandez Alvez (337 0100)

NEW YORK

New York State Theater 20.00 City Ballet opens its Winter season with a gala benefit including Peter Martins' Ash, Balanchine's Who Cares? and a preview of a new Martins ballet set to Bach. The season runs daily except Mon till Feb 23 (870 5570)

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in a programme of variations by four composers. Thurs, Sat and next Tues: Midori plays Tchaikovsky's Violin Concerto (875 5030)

PARIS

Palais Garnier 19.30 Opera Ballet in three works by Jerome Robbins: Dances at a Gathering with music by Chopin, En Sol with music by Ravel, and Glass Pieces, music by Philip Glass. Daily except Mon till Dec 1 (4017 3535)

Opera Bastille 19.30 Myung-Whun Chung conducts Andrei Serban's production of The Fiery Angel, with a cast led by Marilyn Zschau and Philippe Rouillon, also Fri and next Mon (4001 1616)

STRASBOURG

This week's events at the Théâtre Municipal include performances of Rossini's Semiramide tonight, Thurs and Sun, conducted by Giuliano Carella and staged by Bruno Stefano. The cast is led by Maria Dragoni and Chantal Dubarry (8875 4823). Tomorrow and Thurs at the Palais de la Musique, Cristobal Halffter conducts the Strasbourg Philharmonic Orchestra in music by Boccherini, Sibelius and Falla, plus Halffter's Concerto *for four saxophones (8837 5777)*

WASHINGTON

Ford's Theater Charles Dickens' The Christmas Carol, adapted and directed by David Bell. Opens tonight and runs till Dec 29 (432 0200)

Arena Stage It's A Wonderful Life, with music by Joe Raposo and lyrics by Sheldon Harnick, is based on the 1946 Frank Capra movie classic, re-created as a musical. Directed by Douglas Wager, with a cast led by Jeffrey Thompson as the Angel and Casey Biggs as George Bailey. Opens tomorrow, runs till Jan 5 (488 3300)

Kennedy Center Concert Hall Tonight's National Symphony Orchestra programme, conducted by André Previn, includes Rakhmaninov's Second Symphony. On Thurs, Fri and Sat, Previn conducts Vaughan Williams' London Symphony and Elgar's Cello Concerto, with soloist Gary Hoffman. On Sun, Mariss Jansons conducts the Olso Philharmonic (467 4600)

Kennedy Center Opera House Tonight and Sat, the Washington Opera presents Don Carlo, with a cast including Giacomo Aragall and Nicolai Ghiaurov. Tomorrow and Fri, Arnold Ostman conducts Don Giovanni, with Jeffrey Wells in the title role (467 1600)

Kennedy Center Terrace Theater Tomorrow's show is In Living Colour, a modern dance programme choreographed by Dianne McIntyre, telling stories based on African American lore (467 4600)

The Barns of Wolf Trap This week's events include an evening with the pianist and humourist John *Eaton entitled Indiana On Our* Minds: The Unforgettable Music of Cole Porter and Hoagy Carmichael (Fri), followed by the Travnicek String Quartet (Sat) in music by Janacek, Smetana and Mozart (703-938 2404)

ZURICH

Tonhalle 19.30 Piano recital by Maurizio Pollini. Tomorrow: John McLaughlin Trio with the Labeque Sisters. Thurs: Haydn Quartet (201 1580)

Opernhaus Two Ponnelle Mozart productions this week: Die Zauberflote conducted by Heinz Holliger (tomorrow) and Le nozze di Figaro (Thurs and Sun) with a cast led by Sona Ghazarian and William Shimell (262 0909)

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Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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The prize for French virtue

IN TRYING to keep up with the Germans, the French government has learned that virtue brings costs as well as rewards. Since Mr François Mitterrand in 1983 abandoned the untenable go-for-growth policies of the first phase of his presidency, France has made greater strides than any other Community country in squeezing inflation out of its economy. The tough stance engineered by Mr Pierre Bérégovoy, the finance minister, is a key component of France's strategy to prepare for European Monetary Union by making the franc as "hard" as the D-Mark.

For France, the ultimate prize is a considerable one: to crown the process of convergence by creating a European central bank which would erode the monetary dominance of the Bundesbank and put decision-making in the hands of a supranational Community institution. Underlined by the latest round of demonstrations on Sunday by French health workers austerity *à la Bérégovoy* is, however, becoming increasingly unpopular. As the countdown gets under way for the legislative elections in 1993, pressures will grow for Mr Bérégovoy to relax his anti-inflation grip. If the Bundesbank – some time after the EC's Maastricht summit next month – decides that German interest rates should go a notch higher, the strains on French policy will become substantially greater still. The fate of the whole Emu process may rest on how the French government reacts to a possible worsening of economic and social difficulties during the winter.

Reluctant consensus

For the moment, there is a reluctant consensus within the French government that the Bérégovian course will not be altered. The Gallic sister of that accomplice of the Thatcher government, Tina – "There is no alternative" – is firmly ensconced in French ministerial parlours. The Mitterrand administration has, indeed, a lot to show for its labours. It has won a degree of credibility on the foreign exchange markets which a decade ago would have appeared completely beyond reach. The annual rise of French consumer prices is now down to only 2.5 per cent, the lowest among the top industrial nations, and a percentage point below the inflation rate in Germany. Unit labour costs in France have been rising at a consistently lower rate than in Germany during the last few years. At a time when German wage rates are rising worryingly fast, in spite of the slowdown in the economy, the much-stated desire of Mrs Edith Cresson, the French prime minister, to bring German-style discipline and consensus into French industry no longer looks like a complete pipe dream.

Official concessions

Nonetheless, success has been bought at a price. French officials themselves concede that the economy has "suffered" through sluggish growth, extremely high real interest rates (now around 7 per cent) and rising unemployment. The Finance Ministry and the Banque de France went as far as they dared last month by trimming ¼ of a percentage point from official money market interest rates – a cut which has pushed down the franc against the D-Mark within the European Monetary System. Citing the way that the once-large gap between French and German interest rates has now largely disappeared, the Banque de France has until recently claimed that, whatever the Bundesbank does, there is still scope for further reductions in French rates in coming months, as a result of the inflation differential in France's favour. Yesterday's interest rate increase has shown how limited that scope has turned out to be.

Having invested so much in building up confidence in the franc, at home and abroad, the French government would be very foolish to throw it away, especially as the Emu prize seems at last to be moving into sight. The corollary however is also true. The more Germany equivocates on whether it will really enter a binding commitment to give up control over the D-Mark, the more difficult it will be to resist the voices – from both Left and Right – urging a change in French policies.

Limits of contracting-out

YESTERDAY'S White Paper advocating greater use of contracting out for central government services has been surprisingly late in coming. The virtues of competitive tendering in local government and the health service are trumpeted by ministers. But the discipline created by exposure to competition has largely been lacking in the civil service, outside non-core activities such as catering and cleaning.

The White Paper's programme of competitive tendering is doubly welcome, because it provides a sharper cutting edge to the prime minister's drive to improve the quality of public services. The Citizen's Charter offers users a definition of the quality of service they are entitled to and a means of redress when standards slip. But if the people providing the service believe that their organisation's future is secure however the job is done, the incentive to hit performance targets and to develop a consumer-oriented approach is weakened.

The experience of local government shows that the final sanction is often unnecessary: three out of four contracts for local authority services go to the council workforce. But the threat that the contract can be awarded to the private sector has been persuasive in improving efficiency and making services more user-friendly. Most council leaders admit that the discipline of exposure to market forces has been beneficial, though such candour is only available off the record from Labour leaders. The Labour party is foolishly committed to removing the compulsory element from competitive tendering, reflecting the continuing grip of producer interests on its policy-making.

Seductive vision

At the other end of the political spectrum lies the vision of "government by contract", espoused by the free-market think-tanks. In its most radical form, this envisages a core civil service of 10,000, supporting ministers and managing the contracting-out of all government services. This seductive vision is, however, a chimera which should not form the basis for policy-making.

It is a chimera because the contracting-out process works only where there is a service which can be clearly and objectively specified and monitored. In local government it works well for emptying dustbins, cleaning streets and mowing the grass in parks. In schools and hospitals, cleaning, catering and supplies are easily contracted out. But many public services involve complex tasks, which cannot be defined as simply as the emptying of dustbins or cleaning of floors.

Public domain

The police and the courts, for example, have judicial functions which must remain in the public domain. Those who assess tax liability or entitlement to social security benefits exercise a degree of discretion and even-handedness which cannot be franchised to private contractors. Heavy goods vehicle inspection and the control of medicines require an integrity and authority which only the civil service provides.

Certainly there are parts of these government services which are peripheral to the main activity and could be contracted out. The payment of benefits once assessed, for example, is a definable and discrete cash transfer service which could be undertaken in the private sector. So, too, could the data processing involved in many government activities. But given the special attributes of many public services, contracting-out cannot be the only motor of civil service efficiency.

Which is why the radical version of government by contract is a distraction from the main task of creating high quality public services. That requires the disciplines of good management, focusing on the service to be performed, defining the objectives and providing the structures to ensure that they are achieved. In some cases, contracting-out parts or all of the operation can play a role, but that is essentially a secondary consideration.

Certainly the extension of competitive tendering to central government services is a valuable weapon in the hands of ministers seeking to change the culture of a generalist civil service. But it is only an adjunct to good management, not a substitute for it.

FT writers on Friday's correction in US share prices and the world market reaction

Balance between greed and fear

The rest of the world declined to follow Wall Street into a sharp correction in share prices yesterday; and the US market itself seemed to be having second thoughts about Friday's 120-point drop in the Dow Jones Industrial Average.

Even if Friday's fall proves a one-day wonder, however, it crystallises the increasing edginess felt on Wall Street about the level at which the US market is trading. And the lack of more than a symbolic reaction in other markets reflects the way that they have lagged behind New York during much of this year's rally.

Ever since Wall Street received a boost from early success in the Gulf war in mid-January, share prices had risen handsomely as buyers anticipated economic recovery and healthy improvements in corporate earnings.

As the year wore on, however, sustained recovery failed to materialise and corporate earnings were disappointing. Third quarter profits were down 22 per cent on the previous year's quarter. Sales were flat on the year, and net profit margins were down from 4.4 per cent in the third quarter of 1990 to 3.4 per cent.

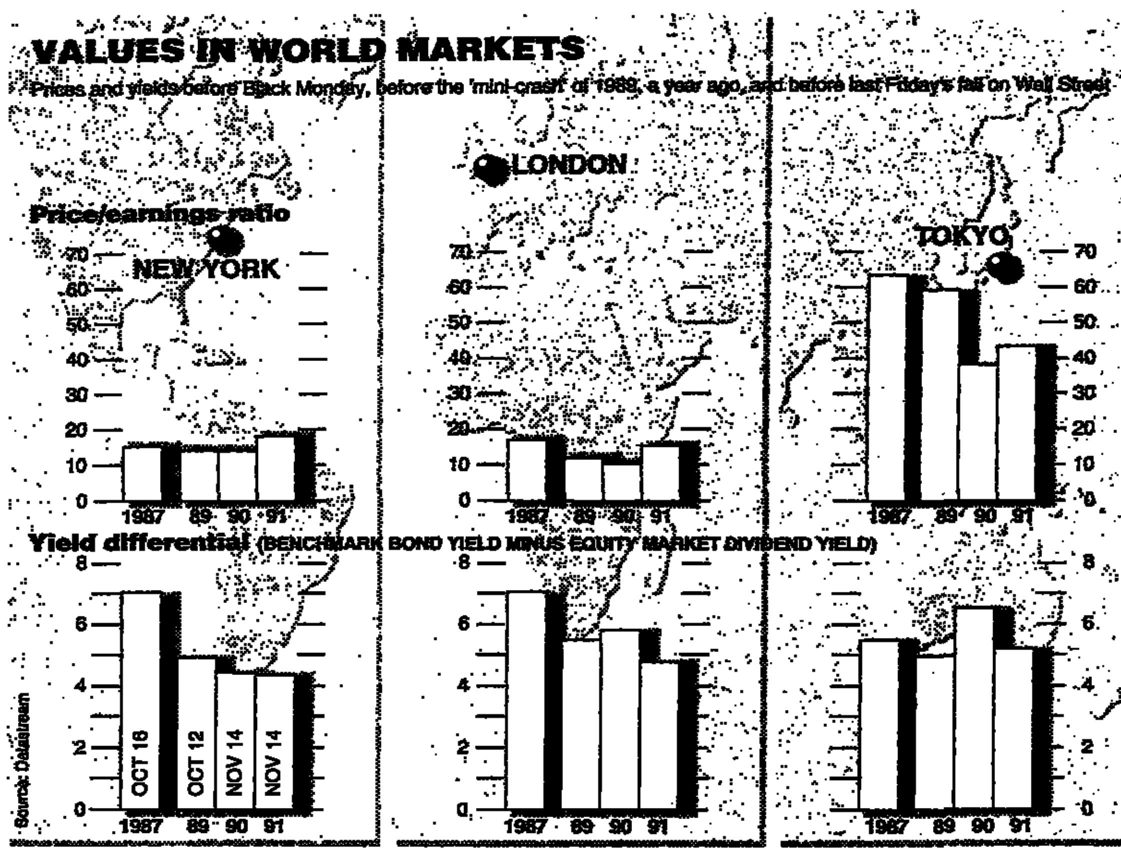
By Friday morning the market was, by almost any measure, overvalued. Price/earnings ratios stood at historically high levels. Measured by trailing earnings, the p/e on the Standard & Poor's 500, the broadest measure of the market, was at 22, a level not seen since the 1987 equities crash, while the Dow was trading at an earnings multiple of more than 30, nearly twice the post-war market average. Dividend yields, meanwhile, were languishing: the S&P 500 was giving a meagre 3 per cent.

Although the market had continued to press ahead in recent days – apparently heading towards another all-time high as recently as Thursday – investors were becoming increasingly nervous. On Friday, that nervousness surfaced, as the market was hit by a wave of bad news.

In just one day the market had to swallow a bad consumer confidence report, flat October industrial production data, a weak regional manufacturing survey, warnings of mortgage loan problems from insurance giant Aetna, rumours of fresh political upheavals in the Russian republic, the possibility of congressionally-mandated limits on credit card interest rates, and heavy selling in the derivatives markets.

The bad news came against a background of a growing loss of confidence in the Bush administration's management of the economy. On top of that, the most speculative corner of the market, biotechnology stocks, ran into a wall. A warning from the Food and Drug Administration that it might take longer to approve Aids medications than previously assumed, triggered a sell-off of biotech stocks. The market plunged with them.

The countervailing case – one made much of in market comment over the weekend – is that the market is much cheaper if valued by the coming year's earnings than if valued by those already in. According to Zacks Investment Research, a Chicago-based firm that compiles brokers' corporate profit forecasts, at the end of next year the S&P will be trading at only 14 times earnings if the forecasts for 1992 earnings prove correct.



Typically, of course, the US economy bounces back strongly from recession, carrying earnings with it. The growing belief that recovery will advance at a snail's pace over the next year could prevent the stock market staging a rally from its current lows. There are many analysts who believe Friday's sell-off was a warning for a complacent market.

Mr Barton Biggs, head of Morgan Stanley Asset Management, believes Friday's fall was the start of a 10 per cent decline in the Dow and the S&P 500 that will run through to the end of the year, and of a 20 per cent to 25 per cent decline in the Nasdaq index of over-the-counter stocks.

Mr Richard Hoey, chief economist of Dreyfus, the big fund management group, takes a similar line. He says: "Until Friday, greed was dominating fear. Now, there's a better balance."

Though European share prices dipped in sympathy with Friday's Wall Street fall, volume was modest and local investment strategists stressed that shares were less expensive, in valuation terms, than in New York. To the extent that the US fall was justified by a weaker economic outlook, those markets with a high exposure to the US – such as the Netherlands, with 34 per cent of corporate earnings directly dependent on the US, according to estimates by Goldman Sachs, and Switzerland, where the figure is 25 per cent – seemed potentially the most vulnerable. Exposure in the UK is about 20 per cent, on the same estimates.

The London market has its own uncertainties, including the outlook for sterling, which closed yesterday at the bottom of the ERM pecking order; next year's general election; and, in December, the £5bn sale of part of the government's stake in British Telecom. One financier involved in the BT offer said yesterday that after Wall Street's drop, he was sleeping sounder because of the way the sale is being conducted, with a price set only at the last moment, rather than a fixed price determined in advance. That makes the managers and underwriters much less exposed to market fluctuations.

In Japan, though the Nikkei index of leading stocks fell by a hefty [illegible] points to 23,400 yesterday, turnover was very low, with only 280m shares traded on the first section of the Tokyo Stock Exchange. Japanese investors should not be seen as keeping their heads while others panic, however. Rather, they have suffered so many setbacks since the Tokyo stock market hit its peak in December 1989 that they do not believe Japanese equity prices can go much lower.

Whereas shares in London and New York have been trading near record highs, Tokyo is some 40 per cent off its December 1989 peak. The collapse of the speculative booms in Japanese land and equity prices has left behind it a mountain of uncleared debt. The markets are overshadowed by the properties and the stocks that hard-pressed borrowers – and their bankers – would like to dump the moment prices show any sign of a sustained recovery. So the prospect of Japanese buyers prompting a worldwide rally – as they did in October 1987 and again in the mini-crash of October 1989 – is remote.

Indeed, the opposite is possibly more likely. One of the most important effects of the rise in Japanese interest rates over the past two years and the consequent slump in financial asset prices has been to change the flow of international capital. In the late 1980s, the Japanese were huge buyers of foreign assets, including securities; in the 1990s, they have stopped buying foreign securities and foreigners have become big purchasers of Japanese stocks and bonds.

By contrast, foreigners have been coming back to the Tokyo market partly because they thought Japanese equities looked cheap in comparison with American and European stock. Japanese p/e ratios still seem high by US and UK standards – about 35 for top industrial stocks. But they have come down from a peak of around 60 in 1988-89.

The factor that matters most, however, is interest rates, to which the low-yielding Japanese stock market is particularly sensitive. Japanese interest rates have drifted down this year, but the central bank has moved too slowly to satisfy investors and industrialists. Hence the increasing weakness in the economy and the faltering of confidence in the stock market.

On yesterday's performance the immediate risk seemed to have diminished. If confidence does falter in all three big markets at once, however, this time there is no obvious motor to propel them back upwards.

Reporting by Patrick Harverson in New York, Stefan Wagstyl in Tokyo, and Peter Martin in London.

An intimation of Bush's mortality

Recession is souring the political mood, says **Lionel Barber**

President George Bush is wobbling. Having placed his bets on a short, shallow recession, Mr Bush is now looking at a longer, deeper downturn which could threaten his re-election prospects next year.

This intimation of political mortality has sent the White House scrambling. In the absence of real action, Mr Bush has taken to "jawboning". The result: a good deal of inflated talk of a "new era of prosperity" around the corner and, more damaging, last week's ill-advised call for banks to lower interest rates on credit-cards.

Mr Bush's throwaway remark was intended to appeal to disaffected middle-class Americans who are paying almost 19 per cent interest on their credit cards at a time when real interest rates are at their lowest in years.

It was enough to spur Senator Alfonse D'Amato, a New York Republican, to push through legislation in the US Senate imposing a cap on such rates.

The credit-card fiasco underlines how the White House – and the US Congress – have been searching for the "silver bullet", the magical remedy to bolster consumer confidence and kick-start the recovery. The story of the past eight weeks, as the economic indicators have become more worrisome, shows that both Mr Bush and the Congress have realised how limited their options are.

First, the $350bn federal budget deficit leaves little room for the traditional fiscal stimulus to pull the economy out of recession; second, Mr Bush has decided to maintain the budget deficit reduction accord to keep a lid on spending and taxes; third, lower interest rates have failed to bolster confidence and the recovery, despite the Federal Reserve's efforts.

Mr Bush will most likely unveil new proposals, built around his plan for a reduction in the capital gains tax, in his State of the Union address to Congress early next year. But his refusal to back an immediate tax-cutting package has dismayed the conservative wing of the Republican party, and some members of his own Cabinet, notably Mr Jack Kemp, the housing secretary. Mr Bush's own failure to exercise the authority and confidence he displays in foreign affairs has contributed to the atmosphere of disarray on domestic policy.

Yet the administration is not solely to blame for the market jitters. Over the past month, Congress has produced proposals for tax cuts which play unashamedly to voters and ignore the constraints of the budget agreement and the financial markets. Democrats and Republicans alike have succumbed to a virulent strain of populism which puts consumers first and the banks last; hence the overturning of the administration's proposals for banking reform.

When stocks go down, Wall Street loves to blame "the mess in Washington". As Congress approaches the end of its session this week, a mean and nasty atmosphere pervades the capital. Wall Street may have a point.

OBSERVER

Fitting sitter

■ What do you have to do to get your picture hung in the National Portrait Gallery? Not a lot, it seems, judging by the ease with which British Gas has found a resting place for a painting of its redoubtable ex-chairman, Sir Denis Rooke.

This lunchtime, Brian Redhead, better known for presenting BBC Radio's Today programme than for his freelance gas work, will unveil near 12 square feet of Rooke as portrayed by June Mendoza. One of the outstanding engineers of his generation, the former gas boss takes his place alongside other business titans such as Lord Sieff, Sir Billy Butlin and Sir Alec Issigonis.

In achievements, Rooke compares well with any of them. But in another respect, he differs. Whereas, after agreement with the trustees, the other portraits were either commissioned or bought by the portrait gallery itself, British Gas commissioned the painting of the ex-chairman and offered to lend it. The gallery, whose stock of business phizogs is on the sparse side, accepted.

No doubt it is a fine picture. But could its place in the gallery have anything to do with the fact that British Gas has paid for footballer Bobby Charlton's NPG portrait, and is talking of helping finance the gallery's much needed new air-conditioning system?

I sincerely hope not.

Witts' end?

■ One man who may be wondering whether he will still have a job after Terry Waite's release, is his successor – Francis Witts. As the Archbishop of Canterbury's special adviser for Middle Eastern affairs, Witts has only been an Anglican trouble-shooter since August.

He has considerable experience of negotiating with the Islamic authorities in Tehran. In his previous incarnation as an executive at Morgan Grenfell, he was sent out there after the revolution with the delicate task of reclaiming money owed by the previous regime. But with Waite's release, there may be less demand for his specialist skills.

However, he will doubtless find alternative employ coming, as he does, from a long line of Gloucestershire parsons. One of his ancestors featured in the Diary of a Cotswold Parson 1783-1854, and he himself has continued the good work by running the London marathon several times in aid of Gloucester Cathedral.

His former home in the Cotswold village of Upper Slaughter has sadly been turned into the Lords of the Manor hotel, but he still owns quite a few acres in the parish. Among other interests, Witts is secretary of the Friends of Garsington Opera – the mini-Glyndebourne founded by merchant banker Leonard Ingrams.

New broom

■ In a flurry of *communautaire* spirit, the Confederation of British Industry has plumped for a German banker as next chairman of its London Regional Council.

Gottfried Bruder, general manager of the London branch of Germany's hefty Commerzbank, is well known in the City square mile. Indeed, after working there for 19 years, he describes himself as "part of the furniture".

His input should be much appreciated. His German heritage speaks through with a determination to promote healthier dialogue between the City and British industry – though he has presumably been in London long enough to understand that emulating the chumminess of German banks with their clients is not quite what is needed.

"I'm a Euro-sceptic who's lost confidence in Wall Street"

Again, mindful of the civic pride exuded by Germany's towns, he is appalled by London's "dilapidated face". Public authorities, he says, permit grottiness that "can't be excused by lack of money". So he's pondering "mechanisms" to force owners, public and private, to pull up their socks.

While his appointment suggests the Brits realise they've something to learn from across the Channel, Bruder could be treading a thin line personally. Promoting London's interests – especially in competition with other European centres such as Frankfurt – scarcely seems his best way of securing a board job back home.

Cayman exit

■ After 15 years as a Bank of England bank supervisor, and two and a half years policing the Cayman Isles banking system during the hight of the BCCI scandal, what do you do for an encore?

Become a financial consultant in Aylesbury, it seems.

John Atkinson, aged 54, who had the unenviable task of being the Cayman's inspector of banks at a time when all sorts of BCCI hanky-panky was going on under his nose, has decided to take early retirement and return to the UK at the end of December. His departure is not connected with the BCCI affair. Indeed, he will be remembered as the man who dragged the Cayman Isles into the worldwide banking regulatory net. But rather than rejoin the London rat-race he prefers the quiet life of a friend's financial consultancy in leafy Bucks.

Loyal to the end, he insists that the Caymans' image as a shelter for money launderers and tax evaders is exaggerated. "Nobody's perfect, but we're not just sitting here allowing people to wander in with suitcases of cash," he says.

His successor, Jennifer Dilbert, will be the first woman and the first local person to hold one of the Cayman's most sensitive jobs. Having been schooled by both the Bank of England and the Federal Reserve, she intends to be as vigorous as Atkinson.

High scorers

■ I suppose I shouldn't be surprised that the Central Statistical Office has chosen today to launch itself as a government executive agency. For 19 November – 19.11.91 – is another one of those palindromic dates so beloved of number crunchers.

It's also the 128th anniversary of Abraham Lincoln's Gettysburg Address, though the chancellor's speech at this afternoon's launch party is unlikely to be quite so memorable (or short).

Probably more significant for statisticians is that it was on 19 November 1969 that Pele scored his thousandth goal. Anyone seeking to emulate the great Brazilian player's record will now have to score 7,729 goals to cope with inflation since that date.

Andrew Adonis on what market forces and rising student numbers are doing to UK universities

The era of campus competition

University student numbers in Britain look set to treble in the next decade. Allowing polytechnics to call themselves universities – assuming most do so – will double the current 283,000. Government projections for growth add at least 300,000 more. If both additions accrue, the 1990s will see faster university expansion than in any decade since the war – not excepting the 1960s, when the opening of new "red-brick" universities plus the transfer of Colleges of Advanced Technology into the sector took the number of full-time students from 108,000 to 219,000.

As in the 1960s, when the Robbins report ushered in mass higher education in the UK, this growth is being deliberately encouraged by the government. But what impact will it have on the universities themselves?

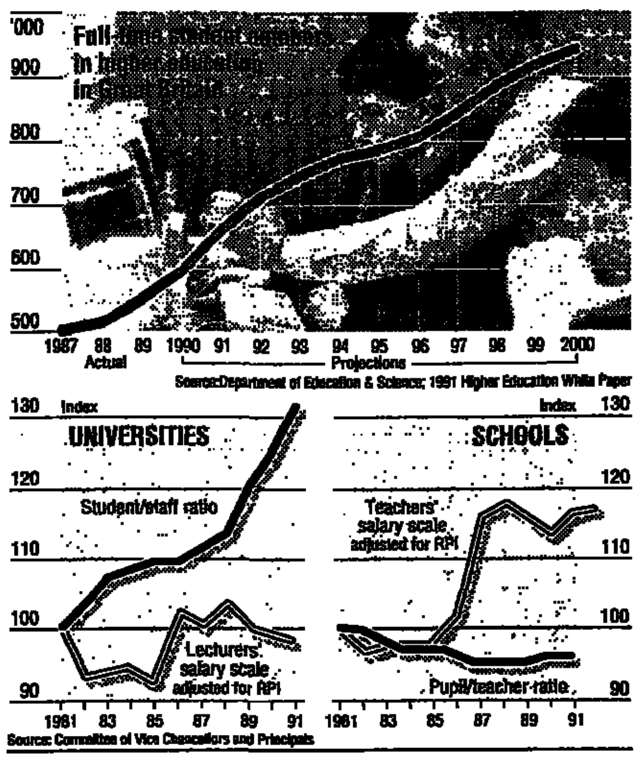
Some in academe fear a deluge. Sir Ralf Dahrendorf, warden of St Antony's College, Oxford, condemns government policy as "a recipe for disaster. It will have precisely the same effect on our universities as mindless expansion had on those of our European partners," he says.

None of that impresses today's politicians, few of

The White Paper instructs dons to 'take account of the economic needs of the country'

whom have much sympathy with the academic community. The government's higher education White Paper calls for "greater competition for funds and institutions", hails the end of "increasingly artificial and unhelpful" divisions between institutions, and instructs dons to "take increasing account of the economic requirements of the country". Labour says much the same, though with less emphasis on competition.

Expansion, utility and efficiency are therefore the watchwords of the 1990s. But it is wrong to think that the end of the so-called "binary divide" between universities and polytechnics will herald a less divided system of higher education. On the contrary, Britain is advancing down the American road, and will soon have its own "ivy league" of elite institutions, with a differentiated mass of liberal arts colleges beneath, concerned mainly with undergraduate teaching. Government policy, market forces and institutional pressures are tending to that end: the growth in student numbers will push it still further.



The top table will comprise about a quarter of existing universities. Oxford, Cambridge, Bristol, Warwick, York, three London colleges (Imperial, UCL and the LSE), Manchester and UMIST – the top 10 universities in the research ratings compiled by the government's University Funding Council (UFC) – will certainly be there. Ten or so more – including Glasgow, Edinburgh, Leeds, Liverpool and Reading – will also maintain a strong general research capacity.

It is no surprise to see the Oxbridge universities at the top of the heap. They continue to attract a greatly disproportionate share of able students. UFC figures on the A-level (or equivalent) grades of university entrants has Oxford or Cambridge top in England in all but three of its 19 subject groups – and those three (education, mass communication and business administration) are not offered by either.

But the hierarchy of universities is not all to do with quality of students. In Scotland, and beyond Oxbridge in England and Wales, universities cannot be crudely ranked by student ability. Nor are they likely to be in future: several polytechnics recruit students who could secure places at some of the more illustrious universities; the change of name should further improve their recruiting potential.

It is in research that the new "ivy league" will be most evident. In theory, the end of the binary divide will allow polytechnics to compete for research funding on equal terms with universities, which currently do 20 times as much funded research as they do. In practice, however, research funding is already concentrated, and will become still more so.

For research funding, a significant share of which is allocated by the UFC on a student per-capita basis, is increasingly to be awarded on the basis of departmental research ratings. What is more, a larger proportion of UFC funds will in future be distributed by government research councils – which are, by definition, not concerned with teaching. Presently, the university sector's recurrent income from public sources is divided between fees, research councils and the UFC in the ratio 2:2:3. It will look more like 3:3:2 a few years hence.

Already, less than 40 per cent of Oxford's income comes direct from the UFC: fees, research councils, charities, industry, government departments and the European Commission account for the rest. The Science and Engineering Research Council awards 53 per cent of its funds to 17 institutions, and more than a quarter goes to just four (Oxford, Cambridge and Birmingham universities and Imperial College, London). Polytechnics are already able to compete, but currently win little more than 3 per cent of SERC funds.

The UFC is anxious to dispel the notion that it is fostering a hard-and-fast division between research-funded and teaching-only institutions. "There is no question of us labelling universities," says Professor Graeme Davies, its chief executive. "But research does tend to concentrate, and greater emphasis on research excellence may concentrate it further." Moreover, the new funding regime will harden the division between teachers and researchers *within* institutions, since research council grants are mostly tied to specific projects, often dependent on full-time research officers on short-term contracts.

When it comes to teaching, the UFC's standards are less exacting. Stripped bare, the UFC is proposing in the next three years simply to hand most of its additional funds to the institutions which pack in most extra students. Professor Davies calls this "an inherently stable bidding system", which promotes efficiency by obliging universities to reduce average costs. But he admits that "at the present we have only the most superficial knowledge of teaching quality", so more could easily mean worse.

Even then, the rapid increase in student numbers will make it hard to safeguard existing quality standards. Today's student:staff ratio of 11.3:1 is bound to worsen, and the quality of new academic staff is likely to go the same way until ministers treat lecturers like school teachers and give them an independent pay review body. The junior lecturer scale currently runs from £12,500 to £17,500; professors get about £33,000 – the same as a typical secondary school head. Consultancy fees and enhancements paid by wealthier institutions help some academics, but since the "ivy league" universities do best on both scores, this only deepens the growing divide between them and the rest.

Expansion is unlikely to lead to more institutions. Quite the reverse: capital budgets are constrained – the autumn statement increased the universities' capital grant by a meagre 4.4 per cent (£9m) – so the pressure for mergers and takeovers will be strong. Bath university, with a strong science and engineering side, is about to take over the city's College of Higher Education, a liberal arts institution, pushing numbers up from 4,500 to 6,200 at a stroke (8,000 is the target for 2000).

This is the shape of things to come, under a new generation of entrepreneurial vice-chancellors. Franchise agreements between polytechnics and further education colleges – whereby the latter lay on courses for polytechnic students – have been going for several years. They account for only about 2 per cent of all polytechnic courses, but are likely to be followed more widely in the rush to push up numbers.

Another idea for using facilities more efficiently is to move from a three-term to a two-semester year. Stirling university has one, its semesters running from mid-September to late-December and mid-February to late-May. Over the summer it serves as campus for the Open University of Scotland, but it is thinking of creating a third summer semester to increase its own numbers.

A higher education hierarchy will not vanish with the polytechnics, therefore. But one figure will increasingly fade into the past: the model lecturer described by Mr Enoch, Powell, a former Conservative and Unionist MP, able to start his courses with the words: "Ladies and gentlemen, the enquiries to which I intend to direct your attention can, so far as I am aware, have no application whatsoever to any economic activity."

Joe Rogaly

A German question

The case for holding a referendum on Europe is by no means proven. For a start, the proper question would never be put. The proper question? Come on, you know what it is:

We are all scared stiff of the new Germany. Do you believe that:

(a) this immense and potentially dangerous continental power will be kept harmless by tying it into an ever-stronger federation (tick here:) *or,*

(b) any United States of Europe will in the end be dominated by an increasingly self-assertive Germany, so we had better keep out (tick here:).

Those who favour a referendum do not suggest that we should be asked to make such an eminently sensible choice. Perhaps they are aware of the inevitable result. Intelligent people would vote (a), ostriches (b). Yet Mr Paddy Ashdown, leader of the Liberal Democrats, does not so much as mention Germany in his weekend article calling for a referendum. His question, if I get his drift, would be something like:

Your democratically-elected minority government, dependent on public-spirited Liberal Democrats for its survival, has wisely passed a new law implementing the agreements on European economic, monetary and political union concluded at Maastricht. You do agree with that, don't you?

Mrs Margaret Thatcher has also toyed with the idea of a referendum. Her acolytes are still contemplating it. There has been talk of putting down a referendum amendment to the government's motherhood-and-apple-pie motion in tomorrow's debate on Europe. The question would not be Mr Ashdown's. What would it be? I suspect that some of the antis might be tempted by the German questions outlined above. In the end, though, the Thatcherite version would surely be:

A great many foreigners, many of whom do not even speak proper English, want to control our parliament and our pound. They want to remove the Queen's head from our coins. That would be the end of Britain, the free Britain whose democracy has evolved over more than 700 years since Magna Carta, the Britain that stood alone against the Nazis. Will you let Mr Jacques Delors become dictator of the province of England in a European superstate?

This is in complete contrast to the question that Mr John Major would set down if he were driven into a corner by Thatcherites in his party and forced to abandon his principled opposition to the very idea of a referendum. The Major version:

We must be at the heart of Europe, and we have stood up for British interests to a very considerable degree. We have negotiated hard and we have forced our partners to remove the words "federal goal" from the preamble to the federal constitution which we have signed. So you may put your trust in me. Yes or no?

Do not misunderstand me. I am not against referenda in

I will eat sausage rather than wurst for a year if the 'antis' gain even 5 per cent of the vote

general. As Mr Ashdown says, Westminster is unrepresentative of public opinion. Any challenge to the Westminster constitution must be good news. Again there is a strong case for consulting the Scottish people about whether they are willing to lose seats in the House of Commons and subsidies from the English in return for the establishment of a parliament in Edinburgh. Devolving real power to such an assembly would be a constitutional change of such magnitude that a referendum seems ideal. To some people the result would undoubtedly be "yes", since Scotland is a nation bursting with antipathy towards English rule. But say the question is, *are you prepared to pay for your nationhood?* Then the outcome is, shall we say, not certain.

The trouble with the Ashdown proposal for an EC referendum is twofold. First, Westminster may be unrepresentative in terms of seats gained by parties, but all three national parties support a deal of some sort at Maastricht, with Labour the second most pro-European after the Liberal Democrats. Picayune groups of antis, such as the putative "Anti-federalist League" may try their luck at the next general election and, indeed, at the one after that. They may hope to head off Britain's acceptance of the Ecu as the single EC currency. Fiddlesticks. I will eat sausage rather than wurst for one year if they gain as much as, say, 5 per cent of the national vote. That would be the minimum necessary to get them into parliament under a proportional system of representation such as Germany's.

Second, we do not yet know for certain whether the Maastricht deals can be described as, in Mr Ashdown's words, "the most significant changes to the British constitution since the war, save for our joining the EC itself". Perhaps they will be. Perhaps they will "mark a quantum change, particularly in monetary affairs". To be fair, his proposal calls for a vote when the legislation to implement any changes in the Treaty of Rome is ready. That might not be before 1993. By then the outcome of the Maastricht process really will be known. After that, if parliament is "as unwilling to debate the issues in 1993 as it is today" there should be a referendum. But the issues are being debated now. I seem to hear nothing but Maastricht talk, day and night.

The antis want a referendum to block further integration into the EC. This is just a last-ditchers' fantasy, whatever recent polls may say. The pro-federalists want a referendum as a means of smashing the antis. Then, they say, the continental Europeans would be convinced of our adherence to European union. But do we want to convince them? As a lifetime pro-European I see utility in Mr Major's sceptical approach. The European Commission is just as susceptible to delusions of grandeur as any other mega-bureaucracy. Let it be kept in check by doubts about the British. Let us keep Brussels guessing what referendum questions we may ask, and whether we will ask any at all.

LETTERS

Promoting the responsible shareholder

From Mr Geoffrey Maddrell.

Sir, Mr Donald Butcher (Letters, November 5) raises important issues of corporate governance and their impact on private shareholders, making particular references to Ultramar.

In fact, in this particular instance, I would observe that there would seem to be communality of interest between the private and institutional investors.

Mr Butcher specifically recommends that the new organisation I represent, whose working title is Share Ownership Movement, take on the role of educating and training private shareholders in their ownership role. I am taking the opportunity to assure Mr Butcher, and your readers in general, that we intend to put a high priority on the need for active and informed participation on the part of all shareholders in the affairs of the companies they own. Clearly it would not be appropriate for an organisation such as ours to intervene directly in individual cases – that is for the shareholders concerned; our concern is to ensure that shareholders are aware of their responsibilities as proprietors and the appropriate procedures. This we plan to do when fully established.

Geoffrey Maddrell,
Share Ownership Movement,
19th floor,
London Stock Exchange,
Old Broad Street, London EC2

Alternatives in medical research gaining support

From Dr Vernon Coleman.

Sir, Your article, "Putting the case for animal research" (November 16) was, as the headline implied, very one sided. You quote Professor Colin Blakemore (a well-known vivisector) as claiming that "virtually every medical advance is based on work on animals", but you fail to mention that, according to a recent survey of 500 doctors (cf British Medical Journal November 2 1991) 88 per cent of doctors agreed that "laboratory experiments performed on animals can be misleading because of anatomical and physiological differences between animals and humans".

A growing number of doctors now believe that the alternatives to animals are much more reliable and the opposition to laboratory experiments on animals is now led by a powerful phalanx of clinicians arguing on scientific rather than humanitarian grounds.

Vernon Coleman,
European Medical Journal,
Lynmouth,
Devon EX35 6EE

Interpreting the significance of works councils

From Mr Denis MacShane.

Sir, Your report on German company hostility to European works councils ("Germans fear role of foreign unions", November 7) cited Siemens' concern about confrontational as opposed to partnership-oriented unions and the worry of Daimler-Benz that 72 chattering interpreters would be needed for the company to talk to its employees in Europe.

Siemens has lived with what has probably been the most successful confrontational union of the past decade, namely IG Metall. Through a mixture of strikes, mass protests, skilful campaigning and careful information tactics, IG Metall has forced five hours off the working week since 1984, the biggest single reduction in working time in industrial history. The union has also secured high wage levels for its members. Certainly, IG Metall has put forward many proposals to improve production and its leaders eschew class-war rhetoric. But by the standards of its home union, I would have thought that Siemens would welcome a break into the calmer waters of non-confrontational unionism outside the Federal Republic. As to Daimler-Benz's worry over interpretation, I can assure the company that this organisation regularly holds conferences in more than nine languages for people from more than 11 countries and, while abiding by the professional (union?) rules of the interpreters' association, we have never needed more than a dozen or so interpreters.

Denis MacShane,
International Metalworkers' Federation,
54 bis, route des acacias,
Geneva, Switzerland

Northern Ireland at the margin in national policy-making

From Dr Graham Gudgin.

Sir, It was disappointing that Edward Balls' otherwise excellent article on regional disparities ("Recession cannot close the divide", November 8) should discuss only 10 out of the 11 standard regions of the UK. The fact that I hardly need to say which region was omitted illustrates the predictability of the omission.

Northern Ireland runs a continuous danger of becoming marginalised in national policy-making and relies on newspapers, and particularly on the FT, to inform those who make policy. The Labour party, for instance, would not usually include anyone from Northern Ireland in its regional policy deliberations, and without the FT would tend to become *even* more confined in its mainland orientation.

The objectivity of the FT is also important in keeping a sense of proportion about Northern Ireland. I remember another quality newspaper writing on regional trends that East Anglia had the country's lowest rate of violent crime. This was accompanied by a table clearly showing Northern Ireland in this position (with East Anglia second lowest). Presumably, the data contradicted the journalist's perceptions of Northern Ireland (perceptions, no doubt, formed by the press).

However, it is difficult for the FT to maintain objectivity about Northern Ireland unless the province is included within relevant articles.

Graham Gudgin,
director,
Northern Ireland
Economic Research Centre,
48 University Road,
Belfast

Level playing field in tendering

From Mr Robert Key.

Sir, Mr Robert Higgs (Letters, November 7) hopes that the government's proposals to extend compulsory competitive tendering (CCT) to additional local authority services will deliver fair competition between private contractors and local authorities' own teams when they compete for local authority work.

The government's proposals, set out in a consultation paper, "Competing for quality – competition in the provision of local services", published by the Department of the Environment and Scottish and Welsh Offices on November 5, are indeed designed to do this. The paper sets out our proposals for new rules for the evaluation of tenders, and we intend to use the powers we are currently seeking in the Local Government bill to give the new rules the force of law.

This should clarify the framework of CCT and go a long way towards ensuring a level playing field for private contractors.

Robert Key,
parliamentary under secretary of state,
Department of the Environment,
2 Marsham Street, London SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Not a serious argument

From F S Law.

Sir, I read Austin Mitchell's letter (November 13) in disbelief. His example that Jacques Delors, when French finance minister years ago, is responsible for France's nearly 3m permanent unemployed, is too nonsensical to be taken seriously. Worse still, Mr Mitchell ascribes the increase in unemployment in "The Six" to the linking of their currencies in 1973. Has he forgotten that the European Community is the UK's biggest market? Has he forgotten the benefits the regions receive from Brussels? And as to his statement that we should be better off had we joined EFTA, how does he reconcile that with the fact that only a few weeks ago the first step towards a merger of the two trading regions was announced?

F S Law,
43, Lennox Gardens, London

FINANCIAL TIMES
Tuesday November 19 1991

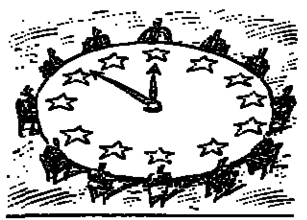
EC seeks the glue to ensure cohesion

David Gardner and Peter Bruce on the binding commitments called for at Maastricht

COHESION does not sound like an especially rousing battle cry – more the subject of a glue salesmen's convention, perhaps, than an intergovernmental conference on European political union.

But then, cohesion is the fiscal glue the European Community uses to hold the rich and poor member states together on the same development path. It has become a battle standard because Spain says it will not sign new treaties on political and monetary union in Maastricht next month unless they guarantee more glue, through binding commitments to reform the EC budget so as to benefit laggard southern and peripheral economies.

COUNTDOWN TO MAASTRICHT



Spain's partners and the European Commission now believe that cohesion, and Britain's objections to more EC power over social policy, will be the last two hurdles at which a Maastricht agreement could fall unless a compromise can be crafted.

The Commission, at least, has not misread Spain's obduracy and is finalising far-reaching budget reform proposals it hopes will meet Spanish concerns. The political problem is that Spain is demanding a bridge that would clearly lead from the Maastricht summit to a budget package that is unlikely to be ready before next spring. Madrid's hand is strong now – with rich partners like Germany prepared to horsetrade in exchange for, say, more powers for the European parliament – and it is determined to play it.

Spain will not allow its concerns to be shunted into a treaty annex, any more than Mr John Major, the UK prime minister, would accept that Conservative party fears of EC interference in industrial relations could be calmed by an appended statement of good intentions.

"Don't give me a declaration.... We need something more legally binding," says Mr Carlos Westendorp, Madrid's minister for Europe and former EC ambassador.

What Spain wants in the treaty is the principle that the EC budget should be:

● Supplied by progressive taxation and levied according to "the relative wealth of the contributor" in Mr Westendorp's words. At present more than three-fifths of the Ecu65.2bn ($82.3bn) budget comes from value added tax, which is regressive for high consumption/low savings countries such as Spain. Spain was in 1989, and will again be by 1993, a net contributor to the budget, in the absurd position of subsidising far richer partners like the Netherlands and Denmark.

● Adequate to its tasks, including a greater, and obligatory, effort to help poorer countries catch up. This is the now diluted treaty form of Spain's original demand for an equalising budgetary fund – or "inter-state compensation fund" – modelled on federal Germany's *Finanzausgleich*, which reallocates money from rich to poor Länder.

EC BUDGET SHARES

Million Ecu, 1989	Contributions	Total expenditure	(Agriculture budget)
Germany	11,110	4,580	(3,700)
France	8,623	5,677	(4,606)
Italy	7,606	6,177	(4,506)
UK	6,569	3,214	(1,797)
Spain	3,575	3,544	(1,850)
Netherlands	2,700	3,830	(3,469)
Belgium	1,807	683	(546)
Denmark	871	1,045	(977)
Greece	566	2,565	(1,701)
Portugal	458	946	(174)
Ireland	371	1,712	(1,072)
Luxembourg	73	8	(2)
Unattributable*		10,348	(3)
EC 12	44,329	44,329	(24,403)

* Includes overseas aid. Source: EC Court of Auditors

Outside the treaty, and when the EC gets down to discussing numbers, Spain wants a very big, but so far unquantified increase in the budget, within which the so-called structural funds should be doubled.

The structural funds are targeted on backward or industrially declining regions, linked largely to infrastructure and training, and have to be matched by the member state. They were doubled to Ecu63bn over five years in the 1988 "Delors package" designed to help poorer countries adjust to the competitive rigour of the single market.

Spain has done well out of the structural funds: last year they underpinned investment of Pta400bn ($3.8bn), helping create 40,000 jobs.

They have also helped Spain move from a GDP per capita of 72 per cent of the EC average on accession in 1986 to 78 per cent now.

Yet Spain does badly out of most other EC common policies. Though the common agricultural policy is about to be overhauled, it currently channels 80 per cent of its $40bn budget to 20 per cent of farmers in the north and centre of the Community. Spain contributes 8 per cent of the research and development budget but receives only 5 per cent of the spending, because the research base it needs to build up is so small.

Now Spain and its poorer colleagues face the new challenge of economic and monetary union (Emu), and Madrid is determined not to be left out when the single currency is created, some time after 1997.

Spanish officials insist they need more flexible help to meet this challenge. Emu will require rigorous convergence of national financial indicators, such as the budget deficit, on the highest standards in the EC, so that poorer countries will be hard-pressed to find finance to match EC aid.

Moreover, political union is nearly certain to bring majority voting on environment policy, which will raise the "green" standards Spain already has difficulty fulfilling because of their cost.

In Brussels, the Commission's embryonic budget reform is being tailored to "cohesionist" criteria. The structural funds would probably rise by 50 to 70 per cent – with more flexible rules on use – and a new "convergence" fund would be set up. This would help poorer countries prepare for Emu and put in place cross-border transport and telecommunications links to take advantage of it.

It would also help them meet environmental standards, and, if Brussels can persuade the member states, be financed from part of the proceeds of a new carbon and energy tax the Twelve are due to examine at the same time as the Maastricht summit.

The still controversial energy tax, to combat global warming, would be progressive.

The Commission estimates it would raise Ecu53.5bn a year once it reached the equivalent of $10 on a barrel of oil by the year 2000. Of this, Ecu17.6bn, or Ecu225 per head, would come from Germany, against Ecu3.4bn (Ecu89 a head) from Spain, because of the far lower energy consumption its current level of development requires.

Germany, however, is already by far the largest net contributor to the EC budget, butthe financial strain of unification has blunted its enthusiasm for cohesion.

WEU's definite role, Page 2
Editorial comment, Page 18

France raises key interest rate to defend franc

By William Dawkins in Paris

THE Bank of France raised its key intervention rate by half a percentage point yesterday in an attempt to defend the franc, only a month after lowering rates in order to stimulate the economy.

The increase, which took the markets by surprise, brings the intervention rate to 9.25 per cent. At the same time, the French central bank increased its repurchase rate, its other main money market rate, by a quarter of a percentage point to 10 per cent.

The central bank said it wanted to assure the franc's stability. The franc has weakened against the D-Mark recently, influenced by the October 17 drop in French official rates and the impact of the dollar's weakness on the value of the D-Mark. It recovered slightly against the German currency yesterday, from FFr3.4220 before the announcement to FFr3.4160 by late afternoon.

Economists took the rate rise as a sign that Mr Pierre Bérégovoy, finance minister, is holding to his policy of competitive disinflation against pressure from some leading members of the Socialist party to relax his rigorous stance ahead of next year's legislative elections. Mr Bérégovoy has insisted repeatedly that he will defend the franc with all means at his disposal.

said Miss Amanda Grantham-Hill, economist at Paribas Capital Markets Group in London, said: "We think it was a mistake to have reduced rates in October. This reaffirms that Mr Bérégovoy is in control. It is sensible strategically and brave politically."

But the rise – the first since December 1989 – is likely to expose the government to further criticism that its tough monetary policy is holding back France's economy.

The rise was a factor, along with the slide in US share prices, in yesterday's decline in French equity prices, which left the the main CAC 40 index down 2.95 per cent by the close. It comes in the wake of a gloomy forecast that industrial investment will fall 9 per cent this year, according to the Insee state statistics body.

Mr Eric Taze-Bernard, economist at Banque Indosuez said the move also suggested that the French central bank thought a rise in German interest rates might be on the way.

French three-month deposit rates, which reflect both official and market rates, were yesterday at 9.6 per cent, higher than Germany's 9.4 per cent, but lower than in Britain, Italy and Spain.

Editorial comment, Page 18; World stock markets, Page 44

A Serbian soldier hurls a grenade during the federal army assault on the Croat-held town of Vukovar yesterday

Hyundai 'cannot pay penalty tax'

By John Ridding in Seoul

MR CHUNG JU YUNG, founder and honorary chairman of the Hyundai Group, one of South Korea's largest conglomerates, said yesterday that his family and group subsidiaries were unable to pay record penalty taxes of won 136.1bn ($181m).

The penalty taxes, the largest imposed on a Korean business group, were levied after the national tax administration had charged Mr Chung, together with his relatives and 10 subsidiaries of the Hyundai Group, with irregular share transactions and avoidance of inheritance taxes.

The tax investigation into the Hyundai Group has added to tensions between the government and the chaebol, the large conglomerates which dominate the Korean economy. It is regarded as an attempt by the government to limit the transfer of wealth between the different generations of the family-owned chaebol.

"I regret that I can't pay the tax as I don't have enough money," Mr Chung told a news conference.

"We can't let our subsidiaries go public, nor can we issue bonds. We can't accept the decision. The tax levy has violated the boundaries of laws and practices," he said. Mr Chung, 75, indicated he would appeal against the tax penalties.

The Office of National Tax Administration (ONTA), which instigated the investigation into Hyundai, rejected Mr Chung's claims.

ONTA is demanding that the majority of fines be paid by the end of November. A refusal to pay will result in the money being taken "by force".

World shares resilient

Continued from Page 1

translated into a decline of only 1.1 per cent in the Frankfurt DAX index while London's FT-SE-100 index closed 1.7 per cent lower.

But prices closed about 2 per cent down in Zurich and Amsterdam, reflecting the high proportion of dollar earners in the local exchange listings and the Paris equity market lost about 3 per cent of its value after an unexpected ½ point rise in the Bank of France intervention rate.

The dollar lost 3.1 pfennigs in London to close at DM1.607 but picked up in New York to finish at DM1.6115.

Sterling gained 2.15 cents to $1.7905 in London but was unable to keep up with the stronger D-Mark and closed 2 pfennigs lower at DM2.8775 at the bottom of the EMS exchange rate mechanism.

The US bond markets also weakened after equity investors failed to move as expected into government securities.

Credit-card cap rejected

Continued from Page 1

the rich would be able to keep their credit cards. Bank industry representatives have said that if they have to lower their rates, some 60m cards might have to be withdrawn.

A bill to force credit-card interest rates down to 14 per cent from the current average of 18.9 per cent passed the Senate overwhelmingly last week. A House sub-committee is due to consider a similar proposal, with the possibility of passing legislation this week.

● The Senate banking committee yesterday postponed today's scheduled confirmation hearing for Mr Alan Greenspan's second four-year term as Federal Reserve Board chairman.

The hearing was delayed because of Senate consideration of banking reform legislation. The panel hoped to hold the Greenspan hearing later this week, but that depended on how long the Senate took to consider the banking bill.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	12	54
Algiers	S	22	72
Amsterdam	C	7	45
Athens	S	18	64
Bahrain	S	25	77
Bangkok	F	33	91
Barcelona	S	17	63
Beirut	S	22	72
Belfast	R	2	36
Belgrade	F	5	41
Berlin	F	5	41
Biarritz	R	13	55
Bombay	F	30	86
Bordeaux	C	15	59
Boulogne	R	9	48
Brussels	C	8	46
Budapest	F	6	43
Buenos Aires	F	25	77
Cairo	S	25	77
Cape Town	F	24	75
Caracas	C	28	82
Casablanca	F	19	66
Chicago	R	9	48
Cologne	R	5	41
Copenhagen	C	4	39
Corfu	F	13	56
Dallas	S	11	52
Dublin	C	6	43
Dubrovnik		-	-
Edinburgh	R	4	39
Faro	S	19	66
Florence	C	8	46
Frankfurt	C	5	41
Geneva	F	9	48
Gibraltar	S	20	68
Glasgow	C	6	43
Helsinki	Sn	0	32
Hong Kong	S	23	73
Innsbruck	F	2	36
Inverness	R	5	41
Islamabad	F	21	70
Istanbul	F	14	57
Jakarta	C	31	88
Jersey	S	12	54
Johannesburg	C	18	64
Lima	C	22	72
Lisbon	C	17	63
London	F	12	54
Los Angeles	S	12	54
Luxembourg	Dr	5	41
Madeira	C	20	68
Madrid	F	14	57
Majorca	S	20	68
Malaga	S	21	70
Malta	F	18	64
Manchester	C	9	48
Manila	C	32	90
Melbourne	F	23	73
Mexico City	C	22	72
Miami	S	22	72
Milan	S	10	50
Montreal	S	-5	23
Moscow	C	3	37
Munich	Sl	2	36
Nairobi	F	21	70
Naples	S	14	57
Nassau	C	24	75
New Delhi	S	24	75
New York	S	3	37
Nice	F	16	61
Nicosia	F	21	70
Oporto	R	15	59
Oslo	S	0	32
Paris	F	12	54
Peking	S	13	55
Prague	S	3	37
Reykjavik	S	-5	23
Rhodes	F	18	64
Rio de Janeiro	F	31	88
Rome	S	15	59
Salzburg	S	3	37
San Francisco	S	12	54
Seoul	F	11	52
Singapore	F	30	86
Stockholm	Sl	1	34
Strasbourg	C	7	45
Sydney	S	23	73
Taipei	F	25	77
Tangier	S	18	64
Tel Aviv	S	23	73
Tenerife	C	22	72
Tokyo	F	16	61
Toronto	S	-3	27
Tunis	C	19	66
Valencia	S	19	66
Venice	S	11	52
Vienna	S	7	45
Warsaw	C	5	41
Washington	S	0	32
Zurich	C	4	39

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Wall Street's shaky signposts

Among the various reactions to Wall Street's 120-point fall on Friday, one of the most natural is irritation. The latest upset has no more immediately apparent cause than did the 190-point mini-crash of October 1989: and that, after all, proved wholly transitory. The difference is that for several months now it has been commonplace to remark that Wall Street looked too high in relation to collapsing US corporate earnings. With the publication of aggregate third quarter earnings earlier this month, the market's trailing 12-month p/e reached 29. It was time for something to give.

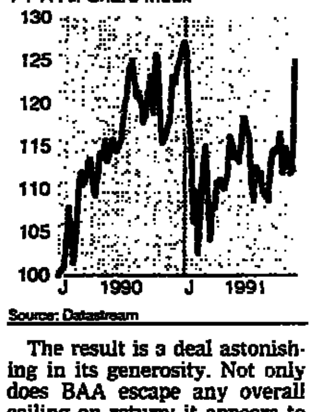
Even if the result comes to resemble October 1989 rather than October 1987, comparison with 1987 is instructive. The p/e on the S&P Industrials is now around 22. At the pre-crash peak in 1987 it was 25. But that was followed by a huge rise in industrial earnings the following year. This time, the whole point is that the market is gradually losing confidence in next year bringing any real earnings growth at all.

But there is a further crucial difference. In 1987 US equities, like those in the UK, completely lost touch with the bond market. The ratio of long bond yields to equity yields shot up briefly to 3.8 times. It is now a perfectly normal-looking 2.4 times. From that starting point, and assuming the US bond market remains as unmoved by events as it did on Friday and yesterday, it ought to follow that the direction of equities rests wholly on expectations for dividend growth. Given that this is the one point on which the market is least sure of its ground, it does not look as if Wall Street will be giving much of a lead to other markets in the near future.

FT-SE Index: 2,502.9 (-43.7)

BAA

Share price relative to the FT-A All-Share Index



Source: Datastream

BAA

It is tempting to conclude that the Civil Aviation Authority's embarrassing climbdown on BAA's pricing formula shows just how different airports are from other privatised utilities. Unlike water companies which are obliged to invest in environmental protection, BAA has discretion over its capital spending. Unlike gas and electricity, its customers do not necessarily have price as their main concern. Airlines have to worry as much if not more about the quality of the facilities on offer. With their support, BAA's threat to abandon Heathrow's Terminal 5 appears to have held the CAA pretty much to ransom.

The result is a deal astonishing in its generosity. Not only does BAA escape any overall ceiling on return: it appears to have won a favourable pricing regime for the next 10 years. There is little to fear from the initial two years during which price fluctuations will have to be held to eight points below retail price inflation. The impact on revenues will be little more than £20m in the first year and should be absorbed by productivity gains already in train.

For all that, it is worth recalling that yesterday's 5 per cent increase in the share price was a response to a regulatory decision that could easily have turned out rather different. It would be rash to assume that the regulator will now leave BAA alone for the next ten years, or that its next intervention will come when the company happens to be planning its next expansion at Heathrow with strong backing from the government of the day.

UK economy

There is a curious discrepancy between the anecdotal evidence of a recovery in retail spending last month and yesterday's official figures showing an 0.5 per cent fall. One or possibly both versions must be misleading. But it is hard to make a case for the government being entirely wrong.

To bring the retail sales figure into line with the anecdotal evidence of recovery would require an abnormally large revision even for an indicator so notoriously subject to change. It looks as though the recovery reported in clothing has not yet extended to bigger ticket household goods. That suggests confidence will remain at a low ebb until there is firm evidence of recovery in the housing market; and that is now unlikely till after the election.

Nor was there much joy for the government yesterday in a public sector debt repayment of £2.1bn. Economic weakness continues to force spending up. Corporation tax receipts are stronger than at this time last year, but it is difficult to extrapolate any revenue trend until it becomes clearer how payments are being phased.

To crown it all, sterling looks further exposed in the ERM after France's surprise half-point increase in its money market intervention rate. At worst, from the UK authorities' viewpoint, the Bank of France may have got wind of a Bundesbank decision to raise interest rates on Thursday. At best it is timely reminder that even a country with as good an inflation performance as France cannot defy gravity by keeping its interest rates below Germany's for long.

BET

It is easy enough to understand why BET was one of the very few FT-SE stocks to rise against the trend yesterday. Though its profits have declined still further at the interim stage, with no prospect of immediate recovery, its cash position has been apparently transformed and the dividend secured. Having treated the company mercilessly under the old management, the market is evidently inclined to take an indulgent view of the new.

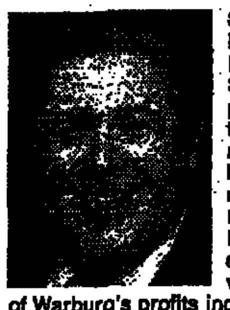
But there are snags. The reduction in net debt from £425m at the year end to £204m is due almost wholly to sale of businesses. Operating cash flow in the half year shows a startling reversal from minus £163m a year ago to plus £22m. But this is mostly the result of slashing capital expenditure from £140m to £19m. It is claimed that BET grossly over-invested before. Given that its depreciation charge in the six months was £58m, it is plainly going to the other unsustainable extreme.

There also remains the snag of $500m-worth of auction market preferred stock. Treating this as debt transforms balance sheet gearing from a stated 38 per cent to not far off 200 per cent. It also produces a true figure for interest cover of 2.8 times compared with 3.2 times the year before. At yesterday's 212p, the shares could be on 16 times this year's earnings. There is no question the company is on the mend, but that looks a trifle sanguine.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 19 1991

INSIDE

Warburg profits rise one third to £89m

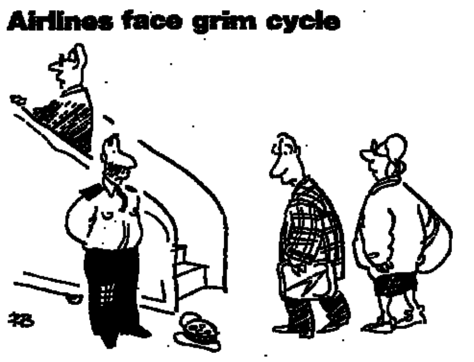


S. G. Warburg, the leading UK investment bank headed by Sir David Scholey (left), boosted pre-tax profits by one third in the first six months of the year. The buoyant London stock market helped income rise at Mercury Asset Management, its 75-per cent owned subsidiary, which contributed much of Warburg's profits increase. Profits rose to £89m ($160m) from £66.3m and the interim dividend was raised to 5.25p a share compared with 4.5p. Page 28

All join in Peruvian bonanza

Leading mining companies in Peru report potential investors "trooping through" the country for a look at copper, zinc and even silver opportunities. The bait, at a time when all but a handful of mines are losing money, is a recent change in investment laws to make Peru once again an attractive, if still risky, option for foreign capital. Page 31

Airlines face grim cycle

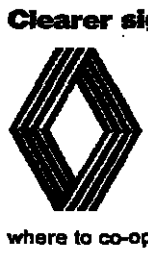


Cut-throat discounting has undermined the profitability of the US airline industry to such an extent that up to one-quarter of the industry's capacity is estimated to be in bankruptcy or defaulting on its debt. This grim cycle of slashed prices, huges losses and cuts in capital spending seems set to continue. Page 23

Stampede into the long term

Recent cuts in US interest rates have trigged a stampede of private investors searching for more profitable returns on their money. As householders try to reduce debt taken on during the late 1980s, billions of dollars have now flowed out of short-term certificates of deposit into longer maturity higher yielding bond and stock funds. Page 27

Clearer signposts to progress



Volvo and Renault have made modest progress in their bid to create one of the world's biggest truck and bus manufacturing groups. Compared with earlier, fumbled, attempts to integrate their operations, the present alliance has a clearer understanding on how and where to co-operate. Page 22

Morgan Crucible in US deals

Morgan Crucible, the UK industrial materials manufacturer, plans to purchase three US groups for £31.7m ($55.4m) as part of its strategy of expanding into niche markets. The group is also considering deals in Germany, France and the Far East. Page 29

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Falls				**Falls**			
Asko	798	–	15	Air Liquide	657	–	21
Bilfing Berg	938	–	14	Beghin-Say	635	–	18
Lahmeyer	840	–	10	Damart	2320	–	97
Porsche	625	–	13	Ecco	362	–	14
Varta	287.5	–	7.5	Intertechnique	628	–	89
Verein-West	345	–	8	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Tosco	630	+	54
Amgen	55	+	3	**Falls**			
Exxon	58¼	+	1	Daito Wool	1300	–	140
IBM	97¼	+	1	Furukawa Batt	831	–	70
Toys R Us	28⅝	+	1⅝	Nippon Comsys	1240	–	130
Upjohn	42⅛	+	⅞	Pacific Ind	552	–	54
Xoma	19	+	1¾	Taihei Dengyo	1490	–	150
PARIS (FFr)							
Rises							
Fonc Lyonnaise	620	+	10				

LONDON(Pence)				Dixons	225	–	12
Rises				Dentdif	465	–	22
BAA	476	+	22	Ferry Pickering	96	–	9
BET	212	+	5	Glaxo	794	–	51
Cay Lee PR	49	+	4	Grand Met	839	–	22
Gresham House	12	+	2	Harvey Thmpsn	188	–	12
Monarch Res	118	+	5	Honeysuckle	37	–	6
Falls				Mid & Scot Res	55	–	4
ASDA	40	–	3	Reuters	874	–	29
Anglian Water	360	–	11	Storehouse	95	–	5
Assoc Br Foods	429	–	26	Volex	253	–	15
Brit Telecom	357	–	7				
Christies Grp	26	–	5				

Robert Thomson explains Japanese reluctance to buy international property

Caution reigns on the overseas empire

When Kumagai Gumi, the aggressive Japanese contractor, announced its retreat from international property development, it promised poetically that "our flower will surely bloom again".

The wilting of Kumagai's ambition reflects the new-found caution of Japanese companies, whose purchases and development of international property had been an intimidating symbol of the country's growing economic influence.

High-profile Japanese investment had encouraged property markets in the US, Europe and Asia, and prompted political concerns about the apparently endless stream of Tokyo money flowing into local communities. It is now clear that the tide is turning.

Some of the most aggressive developers, including Kumagai Gumi, EIE International and Tobishima Corporation, have turned from buyers to sellers. Life insurance companies have scaled down their purchases, and medium-sized industrial and financial institutions which dabbled unsuccessfully in foreign property are unlikely to make a quick return to the market.

Sumitomo Realty and Development, Japan's third largest property company, said that the "new conditions have made us very cautious about new projects, you could say we are over-cautious". Mitsui Real Estate, which has just completed an office building in the troubled Los Angeles market, said that a few new projects are "under study", but "we have become much more cautious".

The decline in investment began last year and has quickened recently in recent months. Japanese direct investment in foreign property, as measured by the Ministry of Finance, rose from $3.99bn in fiscal 1986 to $14.14bn in 1989 – but in the year to end March 1991, the figure was $11.11bn and is likely to fall sharply this year.

The ministry's calculation underestimates Japanese holdings, as it does not count funds raised in foreign markets and its definition of "property" is unclear, though the figures do reflect investment trends.

Some aggressive developers have turned from buyers to sellers

There are good reasons for Japanese caution. Investors have been badly bruised in the shake-out of US, UK and Australian property markets. Expected yields and sales have failed to materialise, and developers such as Kumagai Gumi, which wants to offload Y1,125bn ($8.65bn) in properties over the next five years, have concluded that the home soil is generally more fertile.

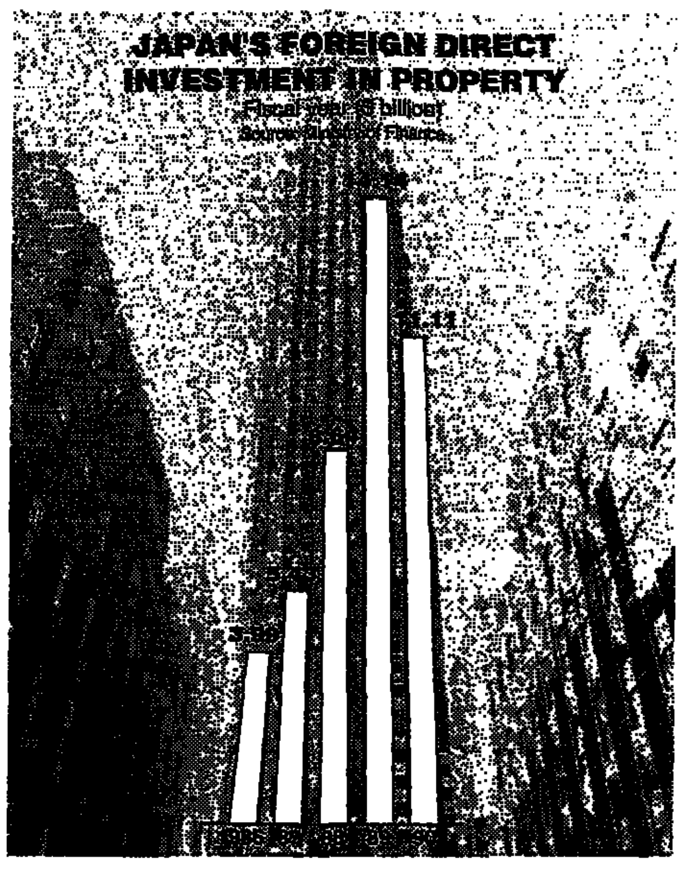
But even the domestic market has soured over the past year, imposing new discipline on property investors and developers, who had perceived that Japanese land was a source of large and relatively quick profits. In the year to July, land prices in Tokyo and Osaka, the two largest cities, fell for the first time in 16 years, while property-related companies, some with overseas holdings, are failing in record numbers.

A domestic glut of resorts and golf courses has hurt companies which had been leading collectors and builders of foreign resorts, and a downturn in the residential market has hurt Daikyo, the country's largest builder of condominiums and an aggressive resort developer in Australia.

Meanwhile, the collapse of the stock market last year and higher Japanese interest rates have drained what had appeared to be a bottomless reservoir of funds. The difficult financial conditions have meant that Japan's net out-flows of long-term capital over the past decade have become net in-flows this year, with a one-month record of $14.1bn in September.

The increased cost of raising funds has been complicated by a Ministry of Finance directive to Japanese banks that they must limit their property-related lending. The directive was intended to reduce speculation and to ensure that banks were not over-exposed to the domestic property market, but it has made banks more cautious about lending for international investment.

Japanese-owned US banks, particularly those based in California, have been hurt by a fast-growing pile of non-performing property loans. Mitsubishi Bank has just announced that it will inject $250m into Bank of California, which has been forced to increase loan loss provisions – a Mitsubishi official emphasised that "we are not the only Japanese bank suffering in the US property market".



Markets and money aside, Japanese companies have also been made wary by opposition to property purchases. The outcry over Mitsubishi Estate's $846m purchase of 51 per cent of the Rockefeller Group in late 1989 made companies conscious of the dangers of purchasing "trophy" properties.

That awareness has been heightened by the more recent controversy over the purchase of Pebble Beach golf course in California by Cosmo World, a medium-sized property company, and its attempts to introduce a Japanese-style membership system. There has also been opposition in Australia, where laws were changed to limit Japanese purchases of residential property, and in south-east Asia, where there are frequent demands that governments stop Japan's "economic invasion". Such opposition has encouraged Tokyo developers to take local partners and a lower profile.

Mr David Bouch, president of Jones Lang Wootton (Japan), said life insurance companies, formerly big purchasers of property, no longer allocate a certain percentage of funds for investment in the international market: "Now if they see something attractive, they will make a specific request for an allocation."

Ms Janet Lewis, at S.G. Warburg Securities, said the renewed growth of Japan's current account surplus suggests investment will rise again.

Mr Graeme McDonald, property specialist at James Capel Pacific, said a "litany of disasters" involving Japanese developers and investors will make them wary of foreign markets for several years.

Virgin sale to Thorn denied

By Michael Skapinker in London

THE Virgin group yesterday firmly denied it was on the point of selling its record business to Thorn EMI, the UK music, rentals and lighting company.

There have been persistent rumours that Thorn, which is due to announce half-yearly results today, was on the point of buying Virgin Records. It had been thought an announcement might be made either today or in the next few weeks.

It is understood in the music industry that Virgin has also considered selling some of its record labels rather than the complete company.

In the absence of a deal with Virgin, attention will focus on the possibility of Thorn acquiring the half share it does not already own of the records division of Chrysalis, the music, communications and media company. Chrysalis said it had been talking to Thorn about such a sale. Thorn paid Chrysalis *$96.6m (£54m) for a half share in* its records division in 1989. Chryslis says it does not expect Thorn's payment for the remaining share to be more than £25m.

Virgin said yesterday that "due to unsettling rumours" it had decided to announce that it had had "a number of unsolicited approaches to merge or possibly acquire Virgin Records. These have been rejected like all others over the past 20 years." Virgin would not say who had made the approaches but Thorn is thought to be among the companies which did so.

Mr Colin Southgate, Thorn's chairman, has made no secret of his desire to expand the group's music business. Under his leadership, the group has sold a large range of businesses, including Ferguson, the television manufacturer; Inmos, the semi-conductor maker; and Thorn's software interests. Mr Southgate has said he intends to make music and rentals the twin cores of Thorn's activities.

In 1989 Thorn bought SBK, which holds 250,000 musical copyrights, including Singing in the Rain and Over the Rainbow. It also bought a half share in SBK Records, and acquired the remainder of the business earlier this year for an initial consideration of $26m.

Thorn failed last year to buy Geffen Records, the US record label, which was acquired by MCA, the Hollywood entertainment conglomerate.

Thorn's music business made profits of £111.7m last year, representing 36 per cent of group profit before finance charges.

Matsushita profits fall 29% to Y197.5bn

By Steven Butler in Tokyo

PROFITS at Matsushita, Japan's largest consumer electronics company, suffered from the $6.1bn acquisition of MCA, the US entertainment company, and the higher value of the yen. Consolidated pre-tax profits fell 29 per cent to Y197.5bn ($1.5bn) in the six months to the end of September.

Matsushita, like other Japanese electronics companies, has seen weak demand for electronic goods and the high value of the yen hitting exports.

The fall in profits came in spite of a growth in sales in every division of Matsushita, whose brands include National and Panasonic. Consolidated sales rose 13 per cent to Y3,667.7bn compared with the same period last year, although this included entertainment sales of MCA for the first time. Domestic sales grew 9 per cent to Y1,898.9bn, while overseas sales increased 18 per cent to Y1,768.8bn.

Video equipment sales rose 2 per cent to Y889.5bn. A fall in demand for VCRs was offset by increased sales of flat-screen televisions with satellite tuners and by lightweight camcorders.

Communication and industrial equipment posted a 9 per cent gain to Y831.3bn, led by increased sales of cellular telephones and other telephone and facsimile equipment. Sales in other Matsushita product areas, including audio equipment, home appliances, components, batteries and kitchen equipment grew by between 3 per cent and 8 per cent. The new entertainment division of Matsushita saw sales of Y284.9bn.

Reflecting in part the impact of the MCA acquisition, interest and dividend income fell by Y26.1bn to Y94.9bn, while interest expenses rose by Y26.9bn to Y99bn. The traditionally cash-rich company posted a loss in non-operating accounts, amounting to Y3.9bn, compared with a gain of Y56.5bn last year.

On the balance sheet, cash assets plunged from Y1,515.2bn to Y905.7bn, compared with the end of March. At the same time, inventories rose from Y931.1bn to Y1,152.9bn, while trade receivables rose from Y1,279.7bn to Y1,461.4bn.

The company said profits were affected by the financial costs of the acquisition, the amortisation of goodwill, which is not tax deductible, a high level of research and development costs and capital investment depreciation. After-tax earnings fell 39 per cent to Y77.7bn, with earnings per share dropping from Y57.6 to Y35.37.

A dividend was declared at Y6.25 per share, with a full-year dividend projected to match last year's distribution of Y12.5 per share. Matsushita lowered its net earnings projection for the year to Y183bn, compared with Y258.9bn last year.

SFO examines £55m loan to Maxwell private company

By Robert Peston in London

THE Serious Fraud Office and the City of London Police yesterday started a formal investigation of a private company controlled by the family of Mr Robert Maxwell, the publishing magnate who died a fortnight ago.

The SFO said it was examining a £55m ($98.5m) loan made by Swiss Bank Corporation (SBC) to Adviser (188), an investment vehicle controlled by Headington Investments, a private company at the heart of the complex network of the Maxwell family's interest. The directors of Adviser include Mr Ian Maxwell and Mr Kevin Maxwell, two of Mr Robert Maxwell's sons.

The focus of the SFO's inquiry is understood to be the collateral pledged by Adviser to cover a £55m loan from SBC. "The collateral is deficient," said a banker with a close knowledge of the investigation.

The loan was made to Adviser in July, to fund its £57.5m cash takeover of First Tokyo Index Trust, an investment trust designed to track the performance of the first section of the Tokyo stock market.

The security for the loan had three parts, according to the mortgage document:

- SBC had a charge over all shares and other securities held by First Tokyo;
- The bank also had a charge over Adviser's shares in First Tokyo;
- The final security was Adviser's properties, plant, machinery, investments other than First Tokyo and other funds.

It was a watertight agreement, according to SBC. However, there was a time lag between Adviser's takeover bid in July, when it said it would grant the security, and SBC securing its charge over the assets.

There was nothing unusual in this lag. Under the Companies Act, Adviser was prohibited from delivering the assets of First Tokyo as security until the takeover was completed.

It is understood that when SBC recently tried to "perfect its interest" – or secure its charge – over the assets it found that the assets were deficient. The bank refused to confirm or deny this.

Before the takeover bid, there were already close links between First Tokyo and the Maxwell family. First Tokyo's investments were managed by London and Bishopsgate International Investment Management, a Maxwell-controlled company.

Philips in $66m link with Blockbuster

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is to invest $66m in forging a business relationship with Blockbuster Entertainment of the US, which it says is the world's largest video rental company.

The Dutch company said the $66m would be used either to make joint investments in home entertainment or to buy 6m shares in Blockbuster, giving Philips a 4 per cent stake in its partner's share capital.

If the two companies decide to pursue joint investments, Philips will have the option to pay an extra $55m by mid-1992 for 5m Blockbuster shares, equivalent to 3 per cent of the US company's share capital.

The initial $66m investment is scheduled to be made by January 15. Philips declined to give details of possible business ventures with Blockbuster.

Blockbuster, listed on the New York Exchange, has annual turnover of $1.1bn and nearly 2,000 shops, of which slightly fewer than half are franchises. Most are located in North America, the remainder in South America, the Far East and Europe.

The proposed deal is part of the Philips strategy of linking its own expertise in consumer electronics "hardware" such as video cassette recorders with retailers active in renting or selling video tapes to the public.

Mr Wayne Huizenga, chairman of Florida-based Blockbuster, said: "We anticipate that as an additional benefit to this relationship Blockbuster will promote Philips's recently introduced Compact Disc Interactive systems and software (CD-I) in its company-owned stores."

Over the past year, Philips has launched rescue operations to take control of Super Club of Belgium, a big, loss-making video rental group. Super Club operates 500 shops in the US and 100 in Europe, mainly in Belgium.

Nikki Tait adds from New York: Blockbuster was born out of a former software business which serviced the oil and gas industry in the mid-1980s. It opened its first video superstore in 1985 and it now spans more than 40 states, as well as Canada and Europe.

Net profits in the first nine months of 1991 reached $64.7m, compared with $47.5m in the same period of 1990.

Share price performance, however, has often been volatile. Last year, for example, concerns about accounting procedures dented the shares.

Microchip deal, Page 22

Crédit Local privatisation poised to raise FFr1.89bn

By Alice Rawsthorn in Paris

THE FLOTATION of Crédit Local de France, the French bank which will be the first state-owned company to be privatised under France's partial privatisation programme, is set to raise FFr1.89bn ($330m).

Mr Pierre Bérégovoy, the French finance minister, yesterday announced that around 9m Crédit Local shares, representing 25 per cent of its equity, were going on sale for FFr210 each. The shares will be on sale today, with 80 per cent being sold on the Paris stock market and the rest earmarked for foreign investors.

After the flotation the French government, which will take 80 per cent of the proceeds of the issue, will still control Crédit Local. It will directly own 25.5 per cent of the equity, and hold another 25 per cent indirectly through Caisse des *Dépots et Consignations (CDC)*, the state financial institution.

If the Crédit Local flotation is successful, it will pave the way for further share sales. On *Sunday, Mr Dominique* Strauss-Kahn, minister responsible for industry and foreign commerce, announced that the government planned to extend its partial privatisation programme to include the three state-owned insurance groups.

The government has confirmed that it plans to study the privatisation of the insurers – Union des Assurances de Paris (UAP), Assurances Générales de France (AGF), and Groupe des Assurances Nationales (GAN) – before the end of the year. At present the government is legally obliged to hold a minimum of 75 per cent of the insurers' voting shares. It intends to change the law so it can reduce its holding to 51 per cent.

However, the government does not envisage actually selling shares in the insurers until June next year at the earliest. This is partly a reflection of *the depressed condition of the* insurance sector on the French stock market, and partly reflects concern about liquidity problems on the market when the programme gathers pace next year.

Analysts estimate that the French government could raise around FFr10.5bn by reducing its investment in the three insurers to 51 per cent. It could muster around FFr1.5bn from reducing its holding in UAP, the biggest of the three companies, in which it owns 55.7 per cent of the overall equity.

The sale of shares in AGF, which is 72 per cent state-owned, would be worth about FFr5bn, while the partial privatisation of GAN, in which the government holds 77.6 per *cent, would raise between* FFr4bn and FFr4.5bn.

BAA shares rise on new pricing formula

By Michiyo Nakamoto in London

SHARES IN BAA, the UK airports operator, yesterday rose 5 per cent to close at a record 476p in London on the highest daily turnover since the day of flotation in 1987, as investors were encouraged by its improved prospects on the Civil Aviation Authority's new pricing formula for traffic charges.

The strong rise came as it reported slightly better than expected profits for the first half and an increased interim dividend.

The CAA's decision removed what has been perceived as a high element of risk for the shares. It recognised that BAA should not be treated like other UK utilities, that placing a limit on real returns is not a good way to regulate BAA, and that in the long term a pricing formula of 1 percentage point less than inflation is appropriate.

Sir John Egan, BAA chief executive, welcomed the CAA's decision on the new pricing formula, which allows the group to adjust charges by the inflation rate minus 4.4 percentage points. This was more favourable than the CAA's initial proposal of inflation minus 8 percentage points.

Investors were also encouraged by the company's optimistic outlook.

Pre-tax profits in the first half declined 26 per cent from £205m to £151m ($267.27m) in the six months to September, a period in which airports suffered from the full effects of the Gulf war and recession.

Despite lower first-half results, BAA is increasing its interim dividend to 5.75p from 5.25p as the six-month profit decline was due to exceptional items, including property provisions and redundancy costs, which were not likely to be repeated, it said.

Turnover in the half-year rose by 4.7 per cent to £514m from £491m, and operating profit before exceptional items increased by 4.5 per cent to £234m.

Earnings per share declined 27 per cent to 21.9p.

Lex, Page 20
Project clearance, Page 12

Philips and SGS-Thomson in chip venture

By Alice Rawsthorn

PHILIPS, the Dutch electronics group, is joining forces with SGS-Thomson, the Franco-Italian semiconductor company, to develop advanced chips at SGS-Thomson's production plant near Grenoble in France.

The companies have been discussing the feasibility of a joint venture for some time. Thomson, the French electronics concern which controls SGS-Thomson with IRI-Finmeccanica of Italy, is an enthusiastic proponent of closer links between Europe's struggling microchip producers.

Philips and SGS-Thomson have in the past collaborated on research projects, but this will be their first commercial alliance. Philips plans to send experts to the Grenoble plant, which should come on-stream in the middle of next year.

Mr Heinz Hagmeister, chairman of Philips Semiconductors, said the alliance would "allow the European electronics industry the opportunity to compete successfully on the world market".

BET holds dividend despite sharp decline

By Richard Gourlay in London

BET, the UK business services conglomerate, has reported sharply lower interim profits. However, investors were cheered by signs that the new management has staunched last year's cash outflow.

Pre-tax profits of £71.5m ($126.55), down from £137.2m, fell below market expectations. But the £186m improvement in *net operating cash generated* and maintenance of the dividend made BET's shares one of a handful of FT-SE 100 shares to survive the index's 44 point fall.

Mr John Clark, the chief executive brought in by institutions in April to reverse BET's decline, gave the first indication of how new financial rigour is being applied to the sprawling conglomerate.

Over two years the group is to sell businesses currently responsible for 10 per cent of operating profits, but which make pre-tax losses after the cost of capital.

BET has provided £90m against the cost of selling these assets; any losses until they are sold will be taken above the line, Mr Clark said.

The group also trimmed £57m in annualised overhead cost, cut 4,000 jobs, vacated 200 properties, and reduced the number of management layers.

Mr Clark said that, after squeezing out costs and generating cash from the businesses, the next task was to increase *the return on capital.*

BET's capital expenditure was cut from £139.6m – significantly more than depreciation – to £61m, less than depreciation of £88m. The second figure, in turn, was reduced to £19m through disposals of capital equipment.

During the period, sales fell 15 per cent to £1.25bn following the disposal of Biffa, the waste management company, in May. Excluding businesses sold, total revenue grew from £1.17bn to £1.23bn, but operating profits fell £10m to £92m.

Earnings per share fell from 11.7p to 5.8p and the board has recommended a maintained interim dividend of 4.25p.

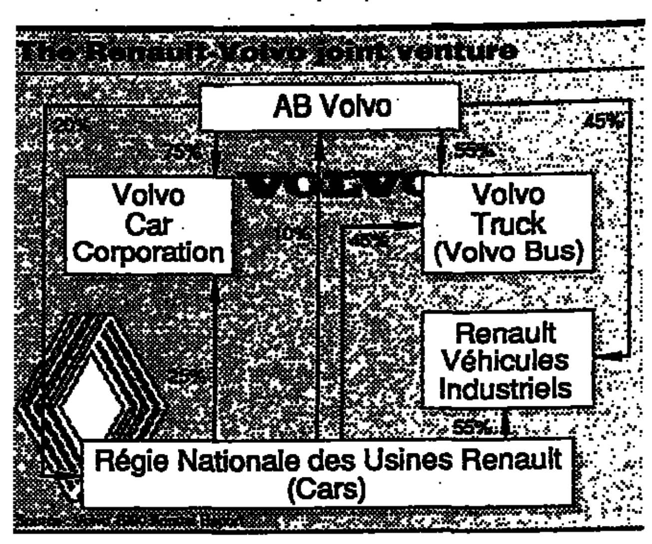
Details, Page 28; Lex, Page 20

Alliance drives a smooth course

William Dawkins examines the two-year-old Renault-Volvo venture

EVERY week, a Renault corporate jet makes the return trip from Paris to Gothenburg, packed with executives and engineers shuttling between the headquarters of *the French state-owned car*maker and Volvo, its new Swedish partner.

Volvo is even opening a small French primary school in Gothenburg to serve children of the Renault families that are beginning to move there to work permanently with the Swedish group. Back in France, Renault executives are learning English, the language that Renault and Volvo agreed to use when they sealed their exchange of minority share stakes in February 1990. *(See chart).*



Since then, they have been putting together the details of the project, to create the world's biggest truck and bus production partnership, and to seek economies of scale *between their car businesses.* It brings together two truck businesses of roughly equal size, with FFr29bn ($5.17bn) sales last year at Renault Véhicules Industriels (RVI) and the equivalent of FFr25.8bn at Volvo Truck. In cars, Renault dwarfs Volvo, with sales of FFr129.2bn in 1990, against the Swedish partner's FFr36.3bn turnover in cars last year.

The recent strike at Renault, which temporarily halted production at a Volvo plant that uses Renault engines in the Netherlands, has underlined that the alliance is not going to be easy. Today, however, the first achievements are just starting to emerge.

Right from the start, the partners have worked to two *contrasting principles.*

On the one hand, they will keep their brand identities separate to avoid taking market share from each other. This means Renault and Volvo cars and trucks, for example, will not be sold in the same showrooms, except – for historical reasons – in Nordic markets.

On the other hand, they will "act in their partnership as if they were one company," says an internal briefing note. The aim, says Mr Pehr Gyllenhammar, Volvo's chairman, is to avoid the "eat or be eaten" rule common to some other world car industry mergers.

All this might sound impossibly idealistic. But at least, say Renault executives, it is a step forward from their fumbled attempt at a liaison with *Volvo a decade ago. This failed,* they admit, because the partners lacked a clear understanding of their aims.

The operational key of this alliance is a planning structure of three joint bodies: a policy committee alternately headed by Mr Raymond Lévy, Renault's chairman, and Mr Gyllenhammar, on top of two operating committees for cars and trucks. All three can only make decisions unanimously.

Practical measures to emerge so far cover components, manufacturing, marketing, services.

● Components: The truck and car divisions have appointed single representatives for pur*chasing commonly-used* components. Renault, for example, represents Volvo in buying from French suppliers, like the Michelin tyre group. Volvo reckons it alone will save SKr800m ($133.5m) a year in two to five years, rising to SKr2bn annually from then on. Renault will give no figures, but says the benefit will start to show in this year's accounts.

An exchange of car engines at several levels has been agreed. Volvo's Dutch plant – which already takes engines for its medium-sized 400 saloon – will take a Renault diesel engine and an economy two-litre petrol engine plus gearboxes, with Mitsubishi buying gear boxes and possibly diesel engines from the French company. In return, Renault is to take a Volvo two-litre, 16 valve petrol engine for a future *model. Discussion* is under way for the Renault Véhicules Industriels truck business to use a Volvo truck engine.

● Manufacturing: The deepest area of co-operation so far is in buses, where the pair is working together on a joint commuter bus with a low floor for easy access, due to come out in 1993 or 1994, say RVI officials.

The project involves Heuliez, the French bus-maker, and a longstanding RVI technical partner in which RVI and Volvo Bus each took a 37.5 per cent stake in June, giving them joint 75 per cent control.

Heuliez unveiled in mid-November an inter-city articulated bus, built on a Volvo chassis. For the next product, the *commuter bus,* Heuliez would make the bodywork, while RVI and Volvo would provide a joint chassis. It would be sold separately under their own brands.

In cars, Volvo's small volume plants in Malaysia and Thailand have started to make the Renault 19 alongside the Swedish group's 400 series.

● Marketing: Renault and Volvo partially merged their French sales divisions in September, through an exchange of senior staff. This relates only to cars and light commercial vehicles, and excludes trucks, where the pair reckons it competes too closely to benefit from such a move.

● Services: The first step, in April last year, was the formation in France of a joint research centre to study such areas as advanced materials, alternative fuels and safety. It has started working on a joint RVI and Volvo Truck power train – engine, gearbox and axle – to come on to the market in five years.

Separately, Volvo has joined Renault's customer credit company in Italy, a market where payment defaults, especially on car fleet sales, are more frequent than most European countries.

The pair is meanwhile working on what Volvo calls a "financial handbook" of common accounting standards and disclosure procedures. This has more impact on Renault than Volvo, because the French group is accustomed to broadcasting less financial information than its partner. Already, Renault has started to publish quarterly results for the first time in its life, to come into line with the quarterly reporting requirements imposed on Volvo by its listing on Nasdaq in the US.

The committees were originally expected to meet every three months, but in practice have needed to meet at least 10 times in the first year, during which they have also convened the 200 top executives from both sides at two meetings in Spain and Sweden, to explain progress and aims.

So far, claim executives on both sides, there have been no real disagreements, despite the political unease created in France by Volvo's accord with Mitsubishi to begin joint car production the Netherlands.

So the pattern at Renault and Volvo so far has been to pool a limited number of functions quickly and reflect on longer-term strategy as they go along. Only by the end of this year do their managements plan to be able to publish to the staff a full reference document of the alliance's broad aims.

They are open-minded on how much closer they want the venture to go. Privately, some officials even say a complete merger of Volvo's and Renault's car operations could be envisaged. For the time being, however, the pair is concentrating on turning its existing agreement into hard detail.

INTERNATIONAL COMPANIES AND FINANCE

US airlines hit fresh turbulence

Nikki Tait reports on poor profits, discounts and spending cuts

BAD NEWS, like London buses and Shakespearian witches, tends to travel in threes. So it was for the US airline industry last week.

First came a new bout of fare-discounting, started by USAir and TWA, but speedily matched, at least to some extent, by other carriers.

Second, there was the unhappy sight of Midway Airlines, a bankrupt regional carrier based at Chicago, halting operations. Third, it was the turn of Mr Bob Crandall, chairman of American Airlines, to play Cassandra again – this time talking of an $8bn cut in his company's $22bn five-year spending programme. Of this, $3bn would come from "non-aircraft" expenditures and the rest from lapsing aircraft options.

In themselves, the events were uncomfortable and ominous. The question is: will similar instances of ticket-discounting, consolidation and spending cuts be repeated before the winter is over?

There seems little doubt among analysts that the US airline industry, badly winded by repercussions from the Gulf conflict last winter, has recovered slowly at best.

Between October 1990 and March 1991, for example, US carriers lost $5bn after tax. Yet, in the subsequent six months, they have made little more than $400m, compared with nearly $900m in the same period of 1989 and more than $1.5bn in 1988.

Dismal profitability has been particularly noticeable in the latest July-September quarter. This is traditionally the peak period for air traffic.

Yet, out of the top 10 carriers, only the four largest – American, United, Delta and Northwest – together with Southwest Airlines, the successful Dallas-based regional, made any money after tax. Even within this group, United and Southwest saw lower operating profits than in the corresponding period of 1990.

"Third-quarter results were extremely sub-standard," comments Mr Julius Maldutis, airline analyst at Salomon Brothers. This is precisely when the industry needs to line its coffers, he says.

Airline stocks, which been have been expecting an upturn in the industry's fortunes for some time, had eased from their 52-week highs long before the latest Wall Street shake-out.

The slow progress can partly be attributed to the tardy pick-up in the US economy. Domestic air traffic, for example, fell about 3 per cent year-*on-year in the first nine* months of 1991, while international traffic has yet to make good the drubbing it took in the first quarter. However, this sluggish recovery also derives from waves of fare-discounting, which have dented yields severely.

United Airlines is one of the few groups making money

Such activity has been blamed on the large number of financially-pressed airlines, and prompted criticism of the bankruptcy process itself.

About 25 per cent cent of the US airline industry's capacity is reckoned to be in bankruptcy or defaulting on its debt – including large carriers such as Continental, Pan Am and TWA – and need for cash-flow has been acute. Accordingly, carriers have periodically slashed fares to uneconomic levels. Worse, these cut-price schemes have intruded on peak season travel.

Inevitably, such promotions have been matched by stronger carriers, and the damage to profits has become widespread. One analyst, for example, has *reckoned that only four* passengers in every 100 flying domestic routes last July paid a full fare.

Yet, at the end of the day, the only real winner has been the travelling public. The spread in break-even load factors between the strong and weak carriers has widened, as have revenue yields. This is a development usually attributed to the more profitable business traveller's preference for a quality airline.

In the third quarter, for example, passenger revenue per mile flown remained above 12 cents at American, Delta and United, while at the likes of TWA and America West, it plunged below 10 cents.

In fairness, it should be said some tentative signs of a better pricing climate are finally emerging. Last month, a handful of airlines attempted to reduce discounts on business fares. Even USAir's New Year promotion, announced last week, was not the most extreme example of discounting seen during the past 12 months.

Some carriers also argue that a geographical bias has developed, with the western half of the country still plagued by "cheap fares" to a significantly greater extent.

It is certainly true that several troubled carriers, like Continental and America West, are based on this side of the country, while the demise of Eastern Airlines in January removed one major promoter from the eastern seaboard.

Nevertheless, the chasm between the strong and weak carriers leaves many analysts predicting further consolidation, even liquidations, over the winter – a development which would help profitability in the longer term, even if it creates short-term distress.

The vulnerable carriers are no secret. TWA has negotiating with creditors about a debt restructuring for months, while Continental, already in *bankruptcy, has been talking* to potential partners, notably Northwest, although it also maintains that a reorganisation plan will be filed this month.

USAir, where partnership talks have reportedly ranged from Air Canada to Lufthansa, has warned of hefty losses and is attempting to secure wage concessions, and bankrupt America West has won some temporary funding from Britain's GPA and Northwest, but remains in a shaky condition.

What is less obvious is how consolidation will take place and what role, if any, foreign carriers, may play.

While there may be sense in combining certain route structures, for example TWA and USAir, the complexities of merging overstrained balance sheets, under-funded pension schemes, and differing labour practices renders many potential mergers fruitless.

The bankruptcy process can also add uncertainty. Delta, for example, has quickly found the expected cost of its Pan Am deal, struck in August, to be rising, prompting renewed negotiations with creditors.

Perhaps the only sure conclusion is that some further pain *seems inevitable before* the US industry pulls out of its nose-dive and heads for the predicted upturn in traffic in mid-1992 and thereafter.

PASSENGER TRAFFIC FOR US SCHEDULED AIRLINE INDUSTRY

	Jan-Sept 1991	Jan-Sept 1990	Change %
Domestic			
Passengers	302.2m	313.2m	-3.5
Revenue passenger miles	248.4bn	255.9bn	-2.9
Available seat miles	402bn	418.1bn	-3.9
Load factor	61.8%	61.2%	
International			
Passengers	29.3m	31.7m	-7.6
Revenue passenger miles	85.8bn	89.6bn	-4.3
Available seat miles	125.4bn	126.2bn	-0.7
Load factor	68.4%	71%	

Interest depresses Mitsui Fudosan

By Emiko Terazono in Tokyo

A SHARP increase in interest payments affected Mitsui Fudosan, the Japanese property group, in the half-year to September.

The company saw a slight increase in non-consolidated pre-tax profits despite recording a double-digit rise in sales.

Sumitomo Realty, another Japanese property company, suffered a fall in sales and in profits during the same period as a result of the slump in the real estate market.

Mitsui posted a 3 per cent increase in pre-tax profits to Y28.2bn ($217m) on the back of a 35 per cent increase in sales to Y395.9bn. The company said that sales of new condominiums and expanded rental business lifted revenues.

Operating profits rose 18.3 per cent to Y59.7bn and after-tax profits 0.7 per cent to Y15bn.

Mitsui said the sluggish condominium market had forced the company to lower its prices, which led to a fall in profits.

Revenue from the group's real estate division rose 43.9 per cent to Y224.7bn and the rental division saw a 13.5 per cent increase to Y104.2bn.

The company posted a non-operating loss of Y31.4bn.

For the full year, Mitsui projects a 1.2 per cent rise in pre-tax profits to Y29.5bn, on a 28.6 per cent advance in sales to Y950bn.

Sumitomo Realty saw pre-tax profits fall 11.3 per cent to Y14.5bn on a 6.1 per cent decline in sales.

Real estate sales plunged 27.9 per cent to Y41.6bn but revenues from land and office leasing rose 31.4 per cent to Y50.3bn.

Interest payments rose 25.7 per cent to Y21bn and Sumitomo posted a non-operating deficit of Y18.2bn. After-tax profit fell 15.1 per cent to Y7.7bn.

For the full year to March 1991, Sumitomo forecasts the first pre-tax profit decline since the 1979, down 3.7 per cent to Y35bn.

The company's sales, however, are expected to rise 22.8 per cent to Y230bn.

INTERNATIONAL COMPANIES AND FINANCE

Toys 'R' Us lifts income 11.8% in third quarter

By Karen Zagor in New York

TOYS "R" Us, the world's biggest children's specialty retail chain, yesterday turned in an 11.8 per cent rise in third-quarter net income on sales which rose 12.3 per cent.

In the three months to November 2, the group recorded net earnings of $32.1m, or 11 cents a share, on sales of $1.18bn. This compares with earnings of $28.7m, or 10 cents a share, on sales of $1.05bn in the corresponding period of 1990.

For the first nine months, the net income eased 11.9 per cent to $77.9m, or 26 cents a share, from $88.4m, or 30 cents, a year earlier. Sales advanced by 10.2 per cent to $3.26bn from $2.96bn.

Same-store sales increased 3 per cent in the quarter, but fell 1.7 per cent in the first nine months.

Analysts had expected comparative earnings to start improving in the second half of this year, partly reflecting a weak second half of 1990, when the impact of recession and falling video-game sales cut into the group's earnings.

The results were in line with expectations and the shares added $¼ to $27¼ at mid-session yesterday.

The Paramus, New Jersey-based company plans to continue its aggressive expansion programme next year, with an additional 85 to 90 new toy stores, including its first stores in Austria and Portugal, and further expansion in Japan. The company also plans to open 25 to 30 new Kids 'R' Us clothing stores.

By the end of 1991, the group expects to be operating 497 toy stores in the US, 126 stores overseas and 189 children's clothing stores.

Static earnings from K mart

By Nikki Tait in New York

K MART, one of the largest US retailers, yesterday reported static earnings for the third quarter of 1991, with mixed results from its various trading divisions.

The company said that it made a net profit of $109.5m in the three months, against $105.9m in the same period a year ago.

However, earnings per share slipped slightly, from 53 cents to 50 cents, as a result of an issue of equity-related securities earlier this year. Sales, meanwhile, rose by 6.4 per cent to $7.97bn.

K mart said that demand for "big-ticket" items, such as electronic goods, was still affected by the weak economic environment.

It did, however, report improved profits from its fashion division, and said that "strong sales and earnings gains" in the speciality store division, helped third-quarter profits to come close to planned levels.

The retailer remained ambivalent about prospects for the remainder of 1991.

Mr Joseph Antonini, the K mart chief executive who is attempting a major overhaul of the business, said only that "enhanced merchandising programmes" and an emphasis on cost-cutting via modernised systems, should allow the group to benefit from any upturn in the pace of sales in the months ahead.

Zale defers interest payments

By Karen Zagor

CONCERN that Zale, the world's biggest jewellery chain which is controlled by Canada's Peoples Jewellers and Switzerland's Swarovski International, might be heading towards a Chapter 11 bankruptcy filing grew yesterday.

The company revealed it was not in compliance with various covenants in its bank credit agreement and its private label receivable programme.

In a filing with the US Securities Exchange Commission (SEC), Zale also said it would defer US$52m in interest payments until the results of the Christmas selling season were available. Christmas accounts for the bulk of sales and profits in the jewellery industry.

Peoples said yesterday that Zale was trying to negotiate more favourable terms under various credit agreements. The jewellery chain is also implementing a new receivables financing agreement and is trying to sell equity to outside investors.

In addition to the December bank payments, Zale has scheduled interest payments of $6.6m next May, $52m in June and a principal payment of $108.3m in June.

The troubles at Zale raise questions about the impact of a bleak Christmas on Peoples, which yesterday turned in a six-month loss of C$44m (US$33.5m), or $3.63 a share, against a deficit of $12.1m, or $1.05, for the corresponding period last year.

Although Peoples said its losses from its equity interest in Zale, apart from related interest costs of C$3m, did not directly affect cash flow, its six-month deficit included a net equity loss of C$44.1m from its Zale stake.

Analysts attribute part of Zale's problems to its 1989 acquisition of Gordon Jewelry.

In the first six months, Zale had a loss of $105.6m against $31.4m the previous year.

DnB may seek fresh capital

By Karen Fossli in Oslo

DEN NORSKE BANK, Norway's second biggest bank, has warned it might be forced to seek a further injection of preference capital to meet more stringent rules for credit loss provisions announced by the Banking, Insurance and Securities Commission, the country's finance industry watchdog.

Under the the new rules, if loan agreements are rescheduled so that the value of the loan is reduced to below the prevailing market rate, the difference has to be counted as a loss. Further rule changes will be announced next week and will take effect from January 1 1992.

DnB last month was granted NKr1.25bn ($194.4m) in preference capital from the commercial banks' guarantee fund and was forced to postpone plans for a share issue aimed at expanding capital by NKr2.2bn.

The state-operated bank insurance fund granted an NKr770m interest-bearing support loan to the commercial banks' guarantee fund for the purpose of supplying DnB with preference capital.

Mr Jarl Veggan, a spokesman for the bank, said: "We have not yet seen the new rules and we do know know their implication for the bank.

"We are not in a position to calculate how much this could increase our credit losses, or if it will. But this might force us to seek a further injection of preference capital, but we don't know when or how much this could be."

Poor overseas response to Usiminas privatisation

THE SECOND stage of the privatisation of Usiminas, the Brazilian state steel-maker, closed with only 52.8 per cent of the preference shares sold at the minimum price of 550 cruzeiros per 1,000 shares, Reuter reports.

Bidding on the Rio de Janeiro Stock Exchange closed yesterday after less than half an hour with offers received for only 371,729 lots of 1m shares. One official blamed the poor response on the lack of foreign buyers.

Mr Eduardo Modiano, president of BNDES, the state development bank which controls the privatisation programme, said the remaining shares would stay in the National Privatisation Fund and be sold at a later date.

He added that the government's failure to sell all the Usiminas preference shares would not affect the company's privatisation. A successful sale of the ordinary (voting) stock was completed last month.

Mr Modiano, who had earlier predicted that all the shares would be sold at a level above the minimum price, declined to comment on possible reasons for the failure to sell all the preference shares.

He said Usiminas ordinary and preference shares would still be quoted and traded on Brazilian stock exchanges from November 19 as planned.

Mr Sergio Zendron, a BNDES director attending the auction, blamed the lack of foreign buyers for the disappointing result.

"Originally we had expected a very big foreign participation," he said. "But people were frightened off by all the problems and opposition to the privatisation programme."

The only significant foreign buyer at the auction was Citibank, which bought 70,491 lots of shares. The biggest Brazilian buyer was a bank, Unibanco, which took 51,873 lots.

Pioneer Electronic affected by strong yen

By Steven Butler in Tokyo

SLUGGISH sales and the higher value of the yen pushed consolidated pre-tax profits at Pioneer Electronic, the Japanese audio specialist, down by 22.8 per cent to Y28.751bn ($221.2m) in the six months to the end of September.

Total sales were virtually flat at Y292.1bn, of which Y178.4bn were overseas.

Video and car electronics products both declined, although Pioneer increased sales of car compact disc players. Audio equipment sales rose by 4.4 per cent to Y94.9bn.

Consolidated net income declined from Y7.8bn to Y5.8bn.

The interim dividend, however, was raised from Y10 to Y12.5 a share.

Pioneer said the second half of the fiscal year would continue to be difficult, although it added that it would persist in attempts to expand worldwide sales of its laser disc players and car CD systems.

Property sale brings Itoman Y39bn profit

By Stefan Wagstyl in Tokyo

ITOMAN, the trading company taken to the brink of bankruptcy by excessive investments in property and art, confirmed yesterday it had made a profit of Y39bn on the sale of part of its head office building in Osaka.

The disposal of seven floors of the building plus 45 per cent of the site is a key part of the troubled company's bank-supervised rehabilitation. Itoman invested over Y500bn in borrowed funds in speculative investments which went sour when the boom in Japanese land prices collapsed early last year.

Taking account of the property sale proceeds, Itoman hopes to make a net profit of Y41.5bn ($319.2m) for the current year, which ends next March, thereby eliminating its accumulated losses of Y39.6bn.

With the support of Sumitomo Bank, the company's main bank, Itoman is directing its energies back to its traditional trading business.

But the decline in property-related businesses continues to effect its performance. Figures announced yesterday show pre-tax profits in the six months to end-September down 34.4 per cent to Y1.55bn and a fall of of 18.7 per cent in sales to Y295.3bn. Net profits were Y1.35bn.

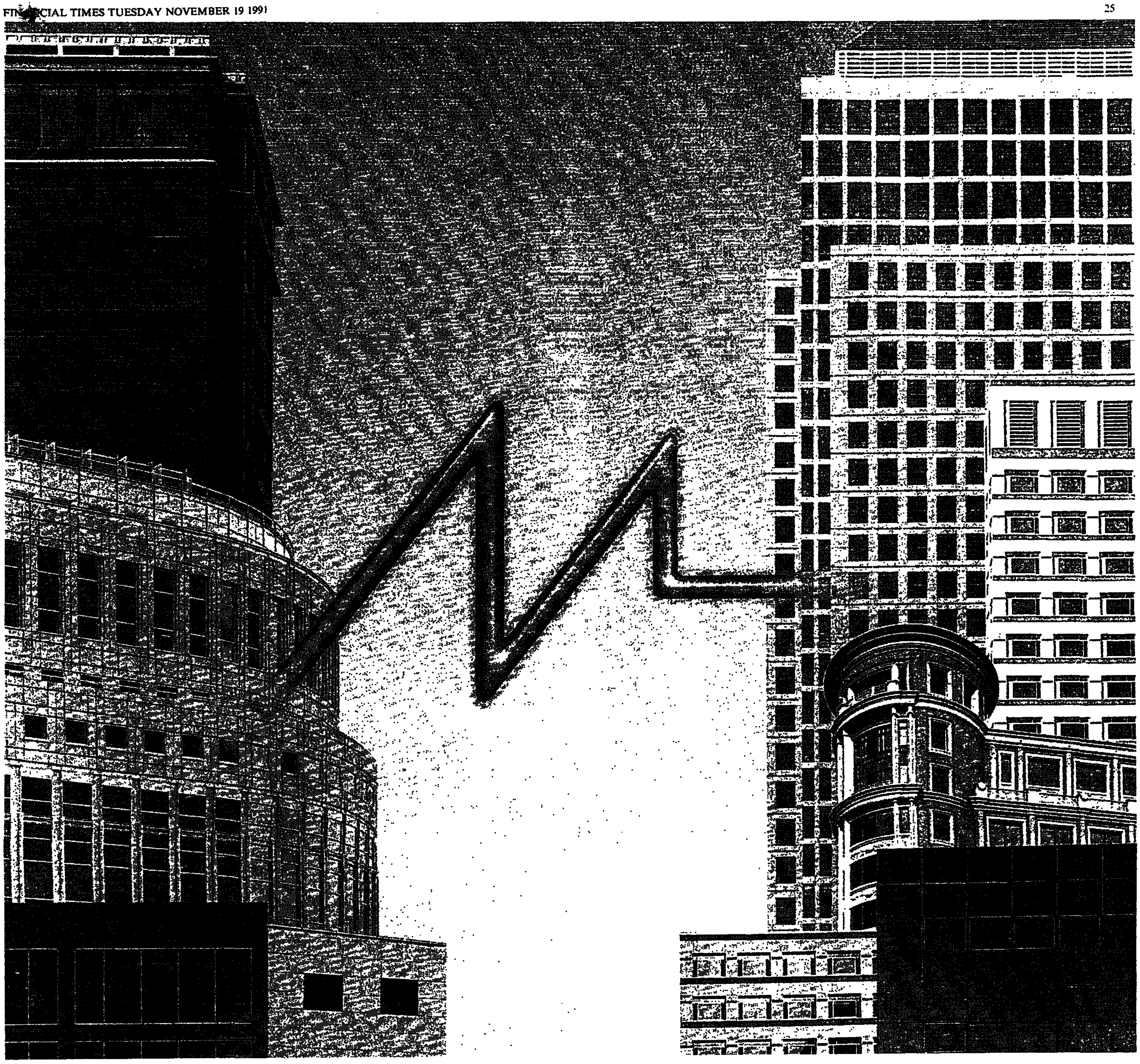
For the full year, Itoman expects sales of Y600bn and pre-tax profits of Y3bn, down from original forecasts of Y630bn and Y3.5bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.11.91: Pool purchase price £/MWh	Final Prices for Trading on 22.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.53	15.82	15.82
0100	16.48	15.82	15.82
0130	19.58	15.86	15.86
0200	19.56	15.82	15.92
0230	16.57	15.92	15.92
0300	16.49	15.92	15.92
0330	16.49	15.92	15.92
0400	16.48	15.92	15.92
0430	16.44	15.88	15.88
0500	16.44	15.88	15.88
0530	16.45	15.92	15.92
0600	16.47	15.92	15.92
0630	16.49	15.91	15.91
0700	16.54	16.23	16.23
0730	19.77	18.78	21.80
0800	20.22	25.08	29.12
0830	20.22	27.23	31.68
0900	30.76	28.02	32.72
0930	28.03	26.80	30.93
1000	28.05	25.53	29.54
1030	22.92	24.88	28.43
1100	22.33	23.70	27.18
1130	22.35	23.77	27.28
1200	26.37	23.85	27.39
1230	29.38	23.53	26.97
1300	26.33	20.24	23.42
1330	24.04	19.48	22.38
1400	17.38	19.16	21.96
1430	17.30	18.25	20.98
1500	22.45	18.24	20.97
1530	24.16	18.23	20.95
1600	29.94	18.37	21.14
1630	76.86	20.63	23.59
1700	113.31	21.44	24.65
1730	115.54	22.16	25.49
1800	80.64	25.20	29.52
1830	39.32	31.57	37.07
1900	25.87	32.26	37.78
1930	26.50	28.98	33.60
2000	24.04	24.03	27.30
2030	21.18	20.10	22.88
2100	20.74	18.07	20.73
2130	20.07	18.02	20.56
2200	20.07	17.81	20.44
2230	19.17	17.28	19.90
2300	16.54	15.92	15.92
2330	16.49	15.92	15.92
2400	16.45	15.84	15.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited



FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 18, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.4314	34.4917	42.8263
Albania	(Lek)	10.2578	5.729	3.5648	4.4262
Algeria	(Dinar)	39.5557	22.0919	13.7465	17.0682
Andorra	(Fr Fr)	9.8350	5.4928	3.4178	4.2437
	(Sp Peseta)	181.60	101.424	63.1103	78.3603
Angola	(Kwanza)	107.7048	60.1534	37.4299	46.4745
Antigua	(E Carr $)	4.86	2.7143	1.6889	2.097
Argentina	(Austral)	17829.00	9957.55	6196	7693.2
Aruba	(Florin)	3.2220	1.7994	1.1197	1.3902
Australia	(Aus $)	2.2865	1.277	0.7946	0.9866
Austria	(Schilling)	20.255	11.3124	7.039	8.74
Azores	(Port Escudo)	251.95	140.715	87.5586	108.716
Bahamas	(Bahama $)	1.7905	1	0.6222	0.7725
Bahrain	(Dinar)	0.6777	0.3784	0.2355	0.2924
Balearic Is	(Sp Peseta)	181.60	101.424	63.1103	78.3603
Bangladesh	(Taka)	66.563	37.1756	23.1322	28.7218
Barbados	(Barb $)	3.6203	2.0219	1.2581	1.5621
Belgium	(Belg Fr)	59.30	33.1192	20.6081	25.5879
Belize	(B $)	3.6000	2.0106	1.251	1.5533
Benin	(CFA Fr)	491.75	274.644	170.895	212.19
Bermuda	(Bermudian $)	1.7905	1	0.6222	0.7725
Bhutan	(Ngultrum)	46.4019	25.9156	16.1257	20.0223
Bolivia	(Boliviano)	6.6510	3.7146	2.3113	2.8699
Botswana	(Pula)	3.7890	2.1161	1.3167	1.6349
Brazil	(Cruzeiro)	1323.45	739.151	459.93	571.068
Brunei	(Brunei $)	2.9875	1.6685	1.0382	1.2891
Bulgaria	(Lev)	31.014	17.3214	10.7781	13.3825
Burkino Faso	(CFA Fr)	491.75	274.644	170.895	212.19
Burma	(Kyat)	10.7573	6.0079	3.7384	4.6417
Burundi	(Burundi Fr)	347.50	194.08	120.765	149.946
Cambodia	(Riel)	1800.00	1005.31	625.543	776.699
Cameroon	(CFA Fr)	491.75	274.644	170.895	212.19
Canada	(Canadian $)	2.0225	1.1295	0.7028	0.8727
Canary Is	(Sp Peseta)	181.60	101.424	63.1103	78.3603
Cp. Verde	(CV Escudo)	130.131	72.6785	45.2236	56.1514
Cayman Is	(CI $)	1.4940	0.8344	0.5192	0.6446
Cent.Afr. Rep	(CFA Fr)	491.75	274.644	170.895	212.19
Chad	(CFA Fr)	491.75	274.644	170.895	212.19
Chile	(Chilean Peso)	654.21	365.378	227.354	282.291
China	(Renminbi Yuan)	9.5108	5.3118	3.3052	4.1039
Colombia	(Col Peso)	1120.95	626.054	389.557	483.689
Comoros	(CFA Fr)	491.75	274.644	170.895	212.19
Congo (Brazz)	(CFA Fr)	491.75	274.644	170.895	212.19
Costa Rica	(Colon)	239.40	133.706	83.1972	103.301
Côte d'Ivoire	(CFA Fr)	491.75	274.644	170.895	212.19
Cuba	(Cuban Peso)	1.3633	0.7614	0.4737	0.5882
Cyprus	(Cyprus £)	0.8125	0.4537	0.2823	0.3505
Czechoslovakia	(Koruna)	52.03c	29.0589	18.0816	22.4509
		50.20t	28.0368	17.4456	21.6612
Denmark	(Danish Kroner)	11.1825	6.2454	3.8861	4.8252
Djibouti Rep	(Djib Fr)	317.77	177.476	110.433	137.118
Dominica	(E Carrib $)	4.86	2.7143	1.6889	2.097
Dominican Rep	(D Peso)	23.09	12.8958	8.0243	9.9633
Ecuador	(Sucre)	2037.98o	1138.22	708.247	879.387
		2106.00a	1176.21	731.885	908.738
Egypt	(Egyptian £)	5.975	3.337	2.0764	2.5782
El Salvador	(Colon)	14.4189	8.053	5.0109	6.2217
Equat'l Guinea	(CFA Fr)	491.75	274.644	170.895	212.19
Ethiopia	(Ethiopian Birr)	3.7011	2.067	1.2862	1.597
Falkland Is	(Falk £)	1.00	0.5585	0.3475	0.4314
Faroe Is	(Danish Kroner)	11.1825	6.2454	3.8861	4.8252
Fiji Is	(Fiji $)	2.6450	1.4772	0.9192	1.1413
Finland§	(Markka)	7.779	4.3445	2.7033	3.3566
France	(Fr)	9.8350	5.4928	3.4178	4.2437
Fr. Cty/Africa	(CFA Fr)	491.75	274.644	170.895	212.19
Fr. Guiana	(Local Fr)	9.8350	5.4928	3.4178	4.2437
Fr. Pacific Is	(CFP Fr)	178.33	99.5978	61.9739	76.9492
Gabon	(CFA Fr)	491.75	274.644	170.895	212.19
Gambia	(Dalasi)	16.3062	9.107	5.6667	7.0361
Germany	(D-Mark)	2.8775	1.607	1	1.2416

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	670.00	374.197	232.841	289.105
Gibraltar	(Gib £)	1.00	0.5585	0.3475	0.4314
Greece	(Drachma)	327.80	183.077	113.918	141.446
Greenland	(Danish Krone)	11.1825	6.2454	3.8861	4.8252
Grenada	(E Carr $)	4.86	2.7143	1.6889	2.097
Guadaloupe	(Local Fr)	9.8350	5.4928	3.4178	4.2437
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Nauru Is	(Australian $)	2.2865	1.277	0.7946	0.9866
Nepal	(Nepalese Rupee)	76.86	42.9265	26.7106	33.165
Netherlands	(Guilder)	3.2425	1.8109	1.1268	1.3991
N'nd Antilles	(A/Guilder)	3.2220	1.7994	1.1197	1.3902
New Zealand	(NZ $)	3.17625	1.7739	1.1038	1.3705
Nicaragua	(Gold Cordoba)	9.0000	5.0265	3.1277	3.8834
Niger Rep	(CFA Fr)	491.75	274.644	170.895	212.19
Nigeria	(Naira)	17.64	9.8519	6.1303	7.6116
Norway	(Nor. Krone)	11.2925	6.3068	3.9244	4.8727
Oman	(Rial Omani)	0.692	0.3864	0.2404	0.2985

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	44.1655	24.6665	15.3485	19.0573
Panama	(Balboa)	1.7905	1	0.6222	0.7725
Papua New Guinea	(Kina)	1.6990	0.9488	0.5904	0.7331
Paraguay	(Guarani)	2356.49	1316.11	818.937	1016.82
Peru	(New Sol)	1.8600	1.0388	0.6463	0.8025
Philippines	(Peso)	46.77	26.1211	16.2536	20.1812
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Vietnam	(Dong)	23184.00	12948.3	8056.99	10003.9
Virgin Is-British	(US $)	1.7905	1	0.6222	0.7725
Virgin Is-US	(US $)	1.7905	1	0.6222	0.7725
Western Samoa	(Tala)	4.3301	2.4183	1.5048	1.8684
Yemen (Rep of)	(Rial)	21.7800	12.1641	7.569	9.398
Yemen (Rep of)	(Dinar)	0.8298	0.4634	0.2883	0.358
Yugoslavia	(Dinar)	37.6225	21.0122	13.0747	16.234
Zaire Rep	(Zaire)	85182.00	47574.4	29602.8	36756
Zambia	(Kwacha)	143.46	80.1228	49.8557	61.9029
Zimbabwe	($)	8.91	4.9762	3.0964	3.8446

Special Drawing Rights November 15, 1991 United Kingdom £0.779735 United States $1.38169 Germany D Mark 2.25533 Japan Yen179.205
European Currency Unit Rates November 18,1991 United Kingdom £0.707128 United States $1.27439 Germany D Mark 2.04131 Japan Yen164.332

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; † Poland: the figures in last week's table were incorrect - the rate against £stg should have been 19591.24; US$ 11071.62; D-Mark 6743.97; Yen 8518.

(s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; §Finland November 14 1991: Markka devalued by 14pc against the European currency basket and by 12.3pc overall.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday November 18, 1991.

INTERNATIONAL CAPITAL MARKETS

French rate increase puts bond markets in a spin

By Richard Waters in London and Patrick Harverson in New York

EUROPEAN government bond markets were sent reeling by a surprise hike in French interest rates yesterday, throwing attention away from the sell-off in equity markets which had helped bonds during the morning.

By the close of business, the deeply nervous bond markets had recovered marginally from their lows of the day – although the unease is expected to continue until at least Thursday, when some in the market expect a German interest rate rise.

The French rate increase, which took overnight money up by ¼ percentage point to 9¼ per cent and the 5 to 10 day rate up ¼ point to 10 per cent, came only three weeks after a rate cut and followed pressure on the franc.

Early intervention had failed to lift the franc, leading to the rate rise as the Bank of France announced two securities repurchase agreements totalling FFr65.5bn at lunchtime.

Analysts said that the interest rate hike had sent confused signals to the market, reflecting on the one hand the *French government's determination* to pursue its strong franc policy – a determination which might be expected to *help prices at the longer end of* the market – but on the other hand the government's inability to set its own policy in the *face of DM strength.*

In heavy trading during the day, with more than 150,000 futures contracts traded, *French government bonds* plunged ¾ point from their highs. On the Matif, the 10-year notional OAT futures contract *fell from a high of 107.54 to* 106.76 at one stage, before recovering towards 107.00 in the late afternoon.

The spread between French and German bonds broke out of its recent trading range as a result, closing at around 56 *basis points compared with 50* basis points recently.

● THE UK government bond market, *another innocent* bystander between the US dollar and the DM, was caught in the fall-out from the French rate *increase. Having jumped in the* morning on equity market weakness, gilts turned tail and headed down as investors *digested the message from* France.

Sterling slid further, falling through the psychologically *important level of 2.884 against* the DM – the limit of its notional narrow band within the ERM, which sterling has managed *to track since early* this year.

Having been ⅜ higher at one stage, the benchmark 2003/07 *gilt fell by ⅜ on the day, to* 113⅝. This widened the spread between UK and German government bonds from 162 to 170 *basis points during the day. As* recently as the end of September, it had been at around 130 basis points.

● GERMAN government bonds were not immune from yesterday's nervousness in *Europe. From a high of 86.42 at* one stage, 10-year bund futures fell to 86.04, before recovering to trade at around 86.08 later. *The French action has sparked* concern in some quarters that the Bundesbank will raise interest rates as early as this Thursday, although any link between French and German rate rises was widely dismissed.

■ IN New York, bond prices eased across the board yesterday as the hoped-for flight of *equity investors into* Treasury issues failed to materialise. Trading activity throughout the day was light, with most *attention focused on the stock* market.

In late trading, the benchmark 30-year Treasury bond was down ⅜ at 101¾, yielding 7.842 per cent. The two-year note was also easier, down ⅟₁₆ at 100-⅝, yielding 5.518 per cent.

In the wake of Friday's big fall in the stock market, the dominant influence on the market yesterday was equity *prices.* Bonds are traditionally a safe haven for anyone fleeing a volatile equity market, and hopes were raised in the morn*ing that the* Treasury market would receive a shot in the arm from fleeing equity investors.

As the stock market opened with modest gains, however, bond prices fell back as those hopes receded, and when it *became* clear that equities were back in favour, the Treasury market headed further down.

Bonds were supported by speculation that the Federal Reserve has further interest rate cuts up its sleeve.

■ JAPANESE government bonds traded within a very narrow range yesterday, as investors waited to see whether the equity market would fall further. The yield on the benchmark No 129 fell by *just 1.5 basis points on the day* to close at 5.84 per cent.

● HONG KONG'S first auction of government bonds – HK$500m of two-year paper – was more than five times oversubscribed, with HK$2.7bn in bids received, AP-DJ reports from Hong Kong. The 6.25 per cent bonds fetched an average of 101.22 to yield 5.68 per cent.

Mr Dennis Kwok, chief dealer of treasury at Schroders Asia, one of the biggest market makers of government bills, said the bond auction results were better than expected.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.6790	-0.072	9.82	9.83	10.06
BELGIUM		9.000	06/01	99.5500	-0.200	9.06	9.04	9.06
CANADA *		9.750	12/01	100.6500	+0.100	8.37	8.55	8.88
DENMARK		9.000	11/00	100.8750	-0.050	8.85	8.87	8.87
FRANCE	BTAN	8.500	11/96	98.0661	-0.442	8.98	8.89	8.88
	OAT	9.500	01/01	104.1500	-0.500	8.81	8.74	8.72
GERMANY		8.25	09/01	100.0200	-0.180	8.24	8.23	8.15
ITALY		12.000	06/01	96.8500	-0.470	12.57	12.48	12.30
JAPAN	No 119	4.800	06/99	92.6690	+0.050	6.18	6.20	6.14
	No 129	6.400	03/00	103.1117	+0.115	5.85	5.86	5.80
NETHERLANDS		8.500	03/01	98.5100	-0.090	8.73	8.71	8.69
SPAIN		11.900	07/96	99.6250	-0.295	11.95	11.70	11.49
UK GILTS		10.000	11/96	100-28	-6/32	9.77	9.63	9.76
		10.000	02/01	101-24	-7/32	9.70	9.63	9.80
		9.000	10/08	95-21	-8/32	9.52	9.47	9.57
US TREASURY *		7.875	08/01	101-04	-5/32	7.33	7.40	7.51
		8.125	08/21	101-24	-08/32	7.84	7.87	7.97

London closing. *New York closing
Prices: US, UK in 32nds, others in decimal
Yields: Local market standard
Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾		6.18
ALBERTA PROVINCE 9 3/8 95	600	108¼	108¾	+¼	6.91
AUSTRIA 8 1/2 00	400	104¼	104¾	+¼	7.77
BANK OF TOKYO 8 3/8 96	100	103¼	103¾	+¼	7.46
BELGIUM 9 5/8 98	250	110¼	110½	+¼	7.61
BFCE 7 3/4 97	150	102¼	102¾	+¼	7.21
BNP 8 5/8 94	300	105¼	105¾	+¼	6.48
BP CAPITAL 9 5/8 93	150	103¾	104¾	+¼	6.03

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.62
KREDIETCORP 7 93 LFr	1000	95¾	96¾		9.67
WORLD BANK 8 96 LFr	1000	96¼	97¼		9.08
ABN AMRO HOLDING 9 1/4 01 Fl	750	102¾	103	+¼	8.79
UNILEVER 9 00 Fl	500	103¼	103¾	-¼	8.46
BCE INC 9 5/8 93 C$	300	101¼	102¼	+¼	8.22
BELL CANADA 10 5/8 99 C$	150	106¼	107	+¼	9.38
BRITISH COLUMBIA 9 1/4 93 C$	150	101¾	102	+¼	8.02
[illegible]					

INTERNATIONAL CAPITAL MARKETS

Dollar spreads widen as equity slide continues

By Tracy Corrigan

THE EUROBOND market was subject to some bouts of selling yesterday as dealers and investors waited to see whether equity markets would stabilise. But there was only a limited "flight to quality" from Eurobonds to government bonds, and a handful of new issues

INTERNATIONAL BONDS

emerged despite nervousness about market volatility.

In the dollar sector, yield spreads widened by several basis points. Older deals with higher coupons suffered most, as they are trading at substantially more than their face value. However, dealers said spreads could prove vulnerable under further pressure.

In the Eurosterling sector, spreads widened by about 5 basis points as uncertainty about the bond markets was exacerbated by concern about the weaker currency.

In the sterling asset-backed sector, the third issue of bonds backed by car loans emerged, via Goldman Sachs. The £230m issue of senior bonds, for Drive Securities, was backed by Ford car loans in the UK. The deal pays interest at 45 basis points above the three-month London interbank offered rate.

The deal, the second backed by car loans in the sterling market this month, points to attempts to diversify assets used for securitisation; until now, the sector has been dominated by mortgage-backed securities.

Mortgage-backed paper has the advantage of carrying a 50 per cent, rather than 100 per cent, capital weighting, but dealers said the pricing of the Drive deal took this into account. If the pricing compensates, many investors may prefer to buy car-loan backed deals, as they generally have shorter maturities.

Other UK asset types are currently being prepared for securitisation, including lease receivables and credit cards.

Meanwhile, trading conditions in the market for US credit card-backed securitised issues regained some stability, after last week's fears that many deals might have to be redeemed early. The fears were prompted by a US senate amendment on Wednesday which would place a ceiling on the interest rates which issuers can charge on credit card accounts.

Such a ceiling could wipe out the interest cover on some deals, and many are structured to amortise when the margin between the interest paid by card holders and the interest paid on the bonds falls below a certain level.

Spreads widened by about 10 basis points following the news, but older deals with higher coupons – consequently more vulnerable to the change – suffered most. However, mounting opposition to the move, which Mr Nicholas Brady, US Treasury secretary, has branded "wacky, senseless legislation," makes it appear increasingly unlikely, and prices recovered a little yesterday.

The only new issue in the dollar sector, a $100m deal for Hitachi Credit Corporation arranged, and mostly underwritten, by UBS Phillips & Drew, was largely sheltered from uncertainty in the markets, since it is destined for mainly retail investors. The deal closed at 99.63, below its issue price of 99.76, but comfortably within fees.

In the D-mark sector, Venezuela and the European Investment Bank both tapped the market. Venezuela's DM200m five-year deal was aimed at retail investors and traded inside its 2 point fees at less 1¾ bid. But the EIB's 10-year deal was considered aggressively priced to yield 8.14 per cent, and slipped outside its 1¾ point fees.

● Taiwan's first auction of government bonds was a success as institutions bid aggressively to snap up $24.5bn of five-year bonds, Reuter reports from Taipei.

"This is a very good start for our efforts to activate our bond market," said Mr John Shueh, general manager of the central bank's treasury department.

The bonds sold out at a premium with a weighted average yield of 8.176 per cent, well below the coupon rate of 9 per cent. Demand totalled $166bn, more than six times the size of the issue.

Previously, government bonds had been allocated to institutions at fixed prices.

Authorities decided this year to auction all future bonds to facilitate a big rise in issues over coming years as the government finances a six-year $300bn economic development plan.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hitachi Credit Corp.(a)†	100	7⅛	99.76	1996	30/20bp	UBS Phillips & Drew
STERLING						
Drive Securities(b)‡†	230	(b)	100	1996	65/35bp	Goldman Sachs
D-MARKS						
European Investment Bk(c)†	300	8⅛	101.60	2001	1¾/1⅛	Dresdner Bank
Republic of Venezuela(a)†	200	10½	100¾	1996	2/1¼	WestLB
LIRE						
Aerospatiale Finance Corp(a)†	150bn	11¾	101.725	1996	1⅞/1¼	Banco di Napoli
AUSTRALIAN DOLLARS						
State Bk of Sth.Aust.(d)†	200	10	100.80	1996	2/1¼	Hambros
LUXEMBOURG FRANCS						
BBL Int.NV(e)†	3bn	zero	51	1999	1.575	Credit Europeen

★★Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Average life - 4.3 years. Coupon pays 45bp over 3-month Libor. Non-callable. c) Callable after 8 years at par. d) Amount increased from A$150m. Non-callable. e) Amount increased from LFr2.25bn. Non-callable.

FOX orders review of structure by year-end

By Tracy Corrigan

THE London Futures and Options Exchange (FOX), the commodities exchange suffering from recent revelations of trading irregularities, has appointed Arthur Andersen, the accountancy group, to complete a review of its structure and activities by the end of the year.

The move is "part of the ongoing internal review process aimed at ensuring the highest standards of professionalism and efficiency are achieved by the exchange," said Mr Phillip Thorpe, London Fox's new chief executive.

Mr Thorpe, formerly deputy chief executive of the Securities & Futures Association, was appointed following the resignation of Mr Mark Blundell, who stepped down after admitting to "initiating" trades to boost volume in the exchange's property futures contract.

That contract was suspended last month amid revelations of substantial losses and potentially illegal trading activities designed to boost volume in flagging contracts.

The accounting firm will follow up the internal investigation headed by Mr Thorpe. The review, led by Mr Stephen Kingsley, deputy head of financial markets at Arthur Andersen in London, will focus on financial systems and controls and compliance procedures.

Meanwhile, the suspended property futures contract may be revived at a later date by the London International Financial Futures Exchange (Liffe).

An official at Liffe acknowledged that "there is interest" in the product among Liffe members, but added that the exchange is currently preoccupied by its impending merger with the London Traded Options Market, so any formal consideration of the plan is still some way off.

However, the official said such a move would be on the cards at a later date, "if there's sufficient demand".

US investors chase a higher yield

Patrick Harverson on a search spurred by falling interest rates

CHASED by declining domestic interest rates, US individual investors have been clambering up the yield curve in recent months in search of a higher yielding home for their assets.

The recent cut in the discount rate from 5 per cent to 4.5 per cent by the US Federal Reserve will have accelerated the process. The cut – made to provide impetus to a struggling economic recovery – took the discount rate to its lowest level for almost 20 years.

The steady decline in interest rates this year has sharply cut returns on short-term investments. The yield on certificates of deposits (CDs) is around 5 per cent for six-month CDs, money-market funds are offering rates from 3 per cent (tax free) to 5 per cent (taxable), while yields on bank and other savings accounts are even less attractive.

Although inflation is relatively low at between 3 and 4 per cent, investors are facing real and nominal rates of return at the bottom end of the yield curve, where shorter maturity instruments reside, not seen since the early 1970s.

In contrast, further up the curve, intermediate and longer-term government bonds are yielding between 6 per cent and 8 per cent, while the average US government securities fund yields about 7.5 per cent. Even if bond rates decline, which they probably will do over the coming months, investors can enjoy a compensatory gain from the rise in the value of their capital.

The appeal of equities is less clear cut. The dividend yield on the S&P 500 is currently only 3.10 per cent, and equity funds are only offering yields of between 3 per cent and 5 per cent. Yet, despite Friday's big shake-out for Wall Street, investors appear to be betting that share prices will rise steadily over the next few years as the US economy slowly returns to healthy rates of growth.

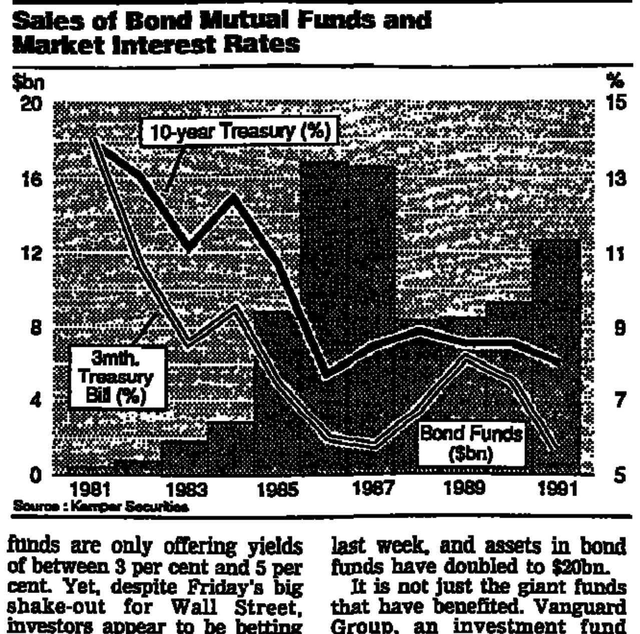
It is no surprise, therefore, that bond and stock mutual funds have seen a lot of new money this year. According to figures from the Investment Company Institute, in the first nine months of this year total assets held in US stock mutual funds rose by 26 per cent to $325.7bn, while total assets in bond funds rose 22.4 per cent to $403.3bn.

Fidelity, the biggest fund manager in the US, has seen the size of its funds balloon this year. Total assets in Fidelity equity funds have risen from $32bn in January to $55bn last week, and assets in bond funds have doubled to $20bn.

It is not just the giant funds that have benefited. Vanguard Group, an investment fund based in Philadelphia, managed a $2.6bn portfolio of Ginnie Mae government mortgage agency bonds (which offer maturity of eight to nine years, a government-backed guarantee, and yields approaching 8 per cent) at the start of this year. Today, the same Vanguard Ginnie Mae fund stands at $4.8bn, an 85 per cent increase in 36 weeks.

Where has the money that has gone into mutual funds come from? The bulk has been switched from short-term instruments like CDs held in banks and thrifts (the American version of British building societies), and from bank and thrift savings accounts.

Sales of Bond Mutual Funds and Market Interest Rates



Source: Kemper Securities

According to estimates by Fidelity, between the end of last year and the end of this September, $102.8bn has flowed out of small-denomination (under $100,000) CDs. That figure will have risen significantly since September. Last month saw $150bn of CDs expire, and with large numbers of investors choosing not to roll over their investments because of low yields, even more money probably shifted to longer-term instruments.

The rush into higher-yielding, longer maturity bond and stock funds has not simply been a reaction to lower interest rates. Since the end of the debt-laden 1980s, and since the recession took a firm hold in the middle of 1990, a growing number of US households have been diverting money to cut their debts.

That debt reduction, however, has not been followed by an increase in spending, as would be normal at the end of a recession. Unemployment is still rising in the US, and so fearful are Americans of the immediate future that many have decided to invest extra income as an insurance against uncertain times.

Although low yields are making short-term investments less attractive, money market funds have managed to retain their appeal. Total assets held in taxable money market funds currently stand at $464bn, up from $445bn at the start of the year.

The stubborn popularity of money market funds may seem surprising in the light of a hostile interest rate climate, but the special appeal the funds have to novice investors cannot be overlooked.

S&P plans no change for top Swiss banks

By Ian Rodger in Zurich

STANDARD & Poor's, the US credit rating agency, is not considering downgrading its triple A ratings on the big three Swiss banks.

This news, delivered by Ms Virginia Manzer, an S&P vice-president, at a seminar in Zurich, was greeted with some relief in the Swiss financial community.

A month ago, Moody's, the other big US rating agency, shook the Swiss by announcing it had put its long-term debt and deposit ratings of Crédit Suisse, the smallest of the big three, under review.

Neither Crédit Suisse nor the other two big Swiss banks, Union Bank of Switzerland and Swiss Bank Corporation, had ever faced the possibility of losing their triple A status. All have very strong capital bases.

Moody's cited the increasingly competitive banking environment in Switzerland and abroad, and the declining asset quality caused by recession, as reasons for its review. Many Swiss bankers interpreted the move as a critical assessment of the prospects of Swiss financial markets rather than of Crédit Suisse itself.

Ms Manzer said the outlook for S&P ratings on the big three banks was stable for at least 18 months. While the three were living through a period of extraordinary change in the regulatory environment in Switzerland, the strong inflow of capital after Iraq's invasion of Kuwait showed that the country was still viewed as a haven for capital.

Her view was that if any pressure from downrating did materialise, it would come not from domestic conditions but from potential external problems, such as pressure from the European Commission on Swiss bank secrecy provisions.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Monday November 18 1991

[illegible]	[illegible]

FIXED INTEREST

[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	55	16
Corporations, Dominion and Foreign Bonds	3	5	12
Industrials	63	919	502
Financial and Properties	22	500	242
Oils	2	46	42
Plantations	1	3	6
Mines	28	59	66
Others	3	101	60
Totals	133	1,688	946

LONDON RECENT ISSUES

EQUITIES

[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Nov. 18
- Last Dealings Nov. 29
- Last Declarations Feb. 20
- For settlement Mar. 2

For rate indications see end of London Share Service

Calls in Amstrad, ASDA, Ashley Group, Avesco, Baggeridge Brick, Blockleys, Brent Walker, Cadbury Schweppes, Frogmore Ests., Hunterprint, Lucas Inds., ML Labs., Maxwell Comm., McCarthy & Stone, P & P, Persimmon, Premier Cons., Proteus, Ratners, Rosehaugh, Stakis and Union Discount. Puts in Rosehaugh. Puts and calls in Hunterprint.

LONDON TRADED OPTIONS

[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Blue Circle (*236)	220	18	27	29½	1½	5½	10
	240	6	15	18	9	13½	17½
British Gas (*240)	240	7½	13½	15½	5½	11	15
	260	1½	6½	8½	20½	23	26½
Dixons (*227)	220	12½	19½	-	5	10	-
	240	3½	10½	17½	16½	19	21½
Eurotunnel (*389)	390	17	38	55	15	27	32½
	420	7½	26	40	35	45	50
Glaxo (*788)	750	51½	83½	101	8½	23½	30½
	800	22	52½	77	27½	43	50½
Hanson Sidd. (*720)	700	28½	41½	46	3½	4½	13½
	750	3	13	20½	28	29	39

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Trafalgar (*226)	220	-	19	20	-	17½	24
	231	7	-	-	20	-	-
Utd. Biscuits (*377)	360	28	36	41	4½	11½	14½
	390	11½	19½	26	19	26	28½
Unilever (*837)	800	53½	71	84½	9½	20	23½
	850	22½	41½	55½	30½	32½	45
Ultramar (*332)	330	18	25	32½	12	20	20½
	360	8	14¼	20	30½	35½	37½
Brit Aero (*338)	330	-	25½	31½	-	15	27½
	360	½	14½	16½	23½	30½	45½

November 18 Total Contracts 37,778
Calls 17,614 Puts 20,164
FT-SE Index Calls 5,948 Puts 7,572
Euro FT-SE Calls 1,009 Puts 1,323
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

UK COMPANY NEWS

■First contribution from British Sugar ■Milling and baking margins under pressure

AB Foods meets expectations with £332.4m

By Bronwen Maddox

ASSOCIATED British Foods, the milling and baking group, matched City expectations with pre-tax profits of £332.4m for the year to September 14 1991, helped by the first nine months of British Sugar.

Profits compared with £317.4m in the year to March 31 1991, the group's previous year end, on turnover of £3.51bn (£3.13bn).

Reflecting a change in year end, ABF also reported for the 17½ months to September 14 1991. It made pre-tax profits of £464.7m despite £3.2m of adverse currency movements.

British Sugar, a long-standing target of the group, which was finally acquired in January for £880m, contributed £98.3m to a trading surplus of £310.3m in the full period (£243.4m in the 12 months to September).

Trading profits from other European manufacturing operations, which include one of Britain's largest bakers as well as making Ryvita and Burton's biscuits, were £94.8m in the full period.

Mr Garry Weston, chairman, whose family controls 63 per cent of the group, said that margins on milling and baking in the UK had come under heavy pressure. Investment in extra capacity across the industry had forced the group to give bigger discounts, and "the public is trading down to cheaper bread".

Rationalisation and closure costs taken above the line cut bakery profits by a further £14m.

Retail companies, mainly in the Irish Republic and Northern Ireland, saw a "significant" but undisclosed rise in profits to £62.8m.

Australia and New Zealand showed profits of £52.1m with a 13 per cent increase in the last six months.

Although the group's cash balances attracted net investment income of £128.5m in the year to March, they earned only a further net £25.9m in the 5¼ months to September, reflecting the impact of British Sugar.

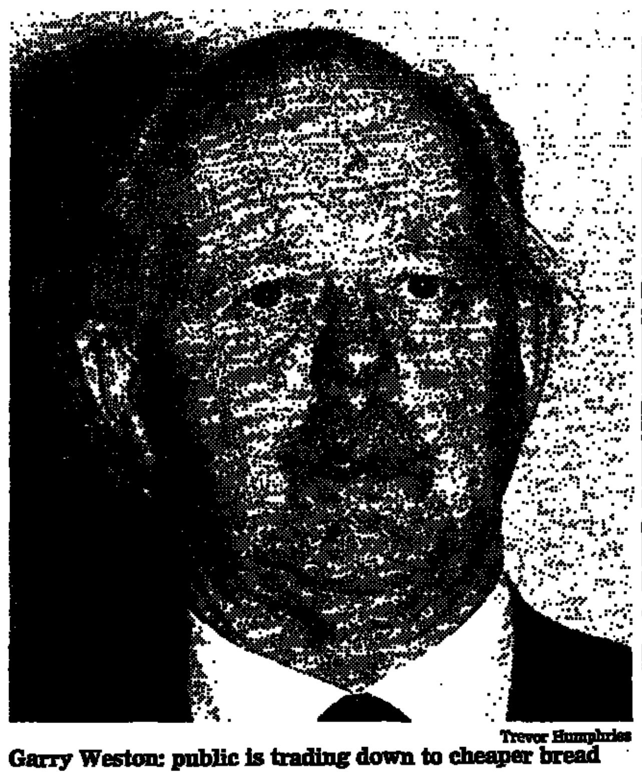
Cash balances have fallen from about £1.1bn to an estimated £400m now.

Earnings of 68.3p for the full period to September compared with 49p for the 12 months to September. The group declared a third interim dividend of 4.5p for a total of 16.7p, against 11p in the previous 12 months.

There were extraordinary charges of £112.5m including £100.5m, revealed in the March results, relating to the write-down of the stake in Berisford International, the legacy of the failed attempt in 1987 to get British Sugar.

● COMMENT

The pre-tax headline number may have been in line with City expectations, and the reminders that trading in milling, baking and retail is tough cannot have come as a surprise. Nor is there complaint with strategy. British Sugar has been generally accepted as a good addition, and is likely to enhance earnings in 1992, as well as in the last nine months. Nevertheless the 26p fall in the shares to 429p shows that the City has not warmed to the prospect of limited earnings growth. Milling and baking is unlikely to see much growth this year, and so pre-tax profits may not advance further than £340m. On earnings of 49.9p, the p/e of 8.6 reflects that lack of enthusiasm.



Trevor Humphries

Garry Weston: public is trading down to cheaper bread

Sedgwick down 5.7% to £74m at nine months

By Richard Lapper

REDUCTIONS IN insurance rates in the US and weakness of the dollar led to a fall in profits at Sedgwick Group, the international insurance broker. Yesterday it reported a 5.7 per cent drop, from £78.5m to £74m pre-tax, for the nine months to September 30.

Earnings per share declined from 12p to 11.4p.

Income from brokerage fell to £472.1m (£481.5m) in sterling terms, although all the decline was the result of weakness in the dollar, in which currency Sedgwick earns 57 per cent of its income. Interest and investment income dropped to £44m (£50.9m), giving total revenues of £516m (£532.4m).

Expenses declined to £435.5m (£445.4m), although – assuming constant exchange rates – the drop was only 1 per cent.

Despite good growth in the UK, where revenues increased by 16 per cent, progress was pegged back by further reductions in insurance rates in the US, which generates over a third of broking revenues.

After signs that rates were hardening in the first quarter, competition among leading insurers for market share has helped depress rates over the past six months, said Mr David Rowland, chairman.

Sedgwick has renewed US business at rates ranging from 8 to 12 per cent lower than in the same period last year, Mr Rowland added, although he was still hopeful that rates would turn upwards.

In London, sharp rate increases in the marine, aviation and reinsurance markets have been accompanied by a drying up of capacity, reducing volume.

Mr Rowland said the "continuing reduction in expenses is a positive result of the restructuring which has taken place over the past two years."

With market conditions expected to remain difficult, cost control is likely to remain central to the group's strategy.

Rising markets lift SG Warburg to £89m at midway

By Richard Waters

PRE-TAX PROFITS at SG Warburg, the leading UK investment bank, bounced up with the stock markets in the first six months of its latest financial year, rising by a third compared to the depressed first half of 1990.

Higher share prices also boosted the income of Mercury Asset Management, the 75 per cent-owned subsidiary which contributed much of Warburg's profits increase.

Pre-tax profits for the group rose from £66.3m to £89m in the six months to September 30, prompting an increase to 5.25p (4.5p) in the interim dividend, payable from earnings of 27p (19.4p) per share.

Warburg's declared policy is to raise its dividend at a steady rate, helping to iron out the volatility in its profits caused by fluctuations in the stock market. The latest figures, though up on 1990, are still 13 per cent lower than the first half of 1989.

The first half figures translate into an annualised 22 per cent return on capital – up from the 18 per cent earned during 1990, but still short of the 25 per cent average return the group has targeted.

The group's strong presence in equity-raising in the UK was largely behind the improvement: Warburg said it had been involved in underwriting UK rights issues worth £3.5bn in the first half, representing 55 per cent of the total. This involvement was also one factor behind an increase in the group's share of secondary market activity, although it refused to put a figure on its overall share of equity trading.

Continued issuing activity after this period, but before the market for rights stalled, should help to boost the year-end figures, together with fees from leading the forthcoming BT share sale.

Profits from investment banking were £62.7m (£48.6m). Warburg does not give a breakdown of this figure, which is struck after undisclosed transfers to inner reserves.

Mercury Asset Management announced pre-tax profits of £34m, up 35 per cent from £25.2m. Assets under management rose by 9 per cent to £40.6bn, largely as a result of rising stock market prices.

Earnings per share were 34.2p (25p) and the interim dividend goes up by 30 per cent to 6.5p, reflecting a change in policy.

It also announced a 3-for-2 stock split to bring down the price of the shares from their current level of about 900p.

Exhibitions loss and drop in ad revenue push Emap down 28%

By Jane Fuller

THE IMPACT of falling advertising revenue and a loss in the exhibitions business reduced Emap's pre-tax profit by 28 per cent, from £13.6m to £9.86m, in the six months to September 28.

The publishing group's sales fell by 6 per cent to £124.2m (£132.3m). It said there were a few signs of an upturn, but little impact on results was expected before March.

Mr Robin Miller, group chief executive, said consumer magazines had increased operating profit by 9 per cent to £9.45m (£8.66m). The group had six of the 10 fastest growing titles in the UK. A big success was a fortnightly teenage magazine called Big, focusing on "heroes of film and sport", which had built up a 257,000 circulation since its April 1990 launch.

Another growing title was Choice, jointly owned with Bayard Presse, of France, and aimed at the other end of the market – the over-50s.

Specialist titles were less vulnerable to the recession because only 40 per cent of the turnover, which advanced to £52.7m (£46.4m), came from advertising.

In business magazines, however, more than 80 per cent of revenue came from that source. The division's profit dwindled further to £108,000 (£236,000).

Mr David Arculus, Emap managing director, said that advertising revenue in the trade sector had declined by 30 per cent in the past two years.

The weakening of trade activity – reflecting the bankruptcy of 5 per cent of companies in almost every market Emap dealt with – also hit the exhibitions division, which fell to a loss of £1.48m (£57,000 profit).

Three shows held in the first half of last year had not recurred, although the fleet show would happen in the second half. Expansion of the number of events held aboard the Canberra cruise ship had also involved start-up costs.

Newspapers and printing saw profit decline to £3.94m (£6.25m). Advertising revenue was 14 per cent down, but in the past two months had come "half-way back up the curve" to a fall of 6 per cent.

The group spent £32m on acquisitions, which had only a small effect on profit. Net debt at half-way – the worst point – was £36.5m. It was expected to be about £20m at the year-end. A small amount of cash was held in March.

Earnings per share fell to 4.5p (6.1p) but the interim dividend goes up to 2p (1.9p).

● COMMENT

Although Emap has succumbed to the recession – business magazines, for instance, will do well to make £1m this year compared with a £5m peak – it has used its strong balance sheet to keep building its activities. This adds to its recovery potential, which is reflected in a forecast profit increase from £29m this year to £35m next. However, there is some concern that advertising revenue may not come back as promptly as is hoped, particularly in recruitment and property. On a prospective p/e of nearly 19, most of the upside is in the price.

Macarthy appoints UniChem as supplier

By Jane Fuller

MACARTHY has appointed UniChem, a former bidder, to supply its chemists shops with prescription drugs.

The irony of the deal is that UniChem's bid of about £80m for Macarthy was referred to the Monopolies and Mergers Commission partly because of worries that it would replace Macarthy's former supplier, Medicopharma of the Netherlands.

The Dutch company closed its UK operations earlier this month. Its relatively recent arrival in the UK drug wholesaling business was seen by the Office of Fair Trading as a useful counterweight to Unichem and AAH, which each has between 25 and 30 per cent of the prescription drug market.

Mr Peter Dodd, chief executive of UniChem, said the deal with Macarthy – worth up to £40m a year in sales – would add just over one percentage point to its market share.

The question was still open of whether it would rebid for Macarthy if cleared by the MMC, due to report on both its bid and a higher one from Lloyds Chemists in January.

AAH is expected to have picked up the bulk of Medicopharma's trade through its purchase of all the Dutch company's stock and its move into some of the warehouses. The OFT is understood to be looking at this deal as the asset purchases might be regarded as a merger. There is nothing that the OFT can do about a supply agreement

Ciba-Geigy sells two UK businesses to US group

By William Dullforce in Geneva

CIBA-GEIGY, the Swiss chemicals group, is selling two of its UK businesses to FMC Corporation of Chicago in a deal believed to be worth more than $100m (£56.4m).

One subsidiary produces flame retardants and fluids and the other supplies chemicals for the treatment of water. Located at Trafford Park, Manchester, they have a combined turnover of nearly £100m.

Combined annual sales were less than 10 per cent of 1990 turnover of SFr1.88bn (£750m) of Ciba-Geigy's additives division.

FMC plans to continue to operate the Trafford Park facility – where some 500 people are employed – without major personnel changes, according to Ciba-Geigy. The deal is subject to governmental clearances and the final approval of the boards of both companies.

Mr Klaus Grundmann, head of Ciba-Geigy's additives division, said his group had concluded it could no longer aim for a global position in business based on phosphate esters. By taking over the Trafford Park operations FMC would reach a global standing and secure the viability of the site and the businesses.

Dunhill declines 8% to £31m

By Michiyo Nakamoto

DUNHILL HOLDINGS, the luxury consumer goods group, suffered the effects of the Gulf war and recession and reported an 8 per cent fall in pre-tax profits to £30.8m for the six months to September 30.

The shares fell 22p to 465p on the news.

Lord Douro, chairman, said the group, which has about 46 per cent of its sales in the Far East and Pacific, had seen less growth than in previous years in that region, while it had experienced noticeably weak trading in the US, particularly in the second quarter. The US accounts for over 20 per cent of sales.

Alfred Dunhill, the main brand in the group which sells luxury goods primarily for men, was most affected by the downturn in travel during the period.

People tend to buy more goods when they travel, so "less travel means less sales for Alfred Dunhill," Lord Douro pointed out.

Montblanc, the luxury writing goods brand, was not as susceptible to the decline in world travel and increased both sales and profitability.

Chloé, the luxury women's brand, performed in line with the previous first half.

The pre-tax profits fall came on turnover down to £113.8m (£118.6m) inclusive of royalties. Earnings per share fell to 11.5p (12.4p) but the interim dividend is increased to 2.75p (2.6p).

Tight controls were being kept on costs and the group increased its interest income. It has net cash slightly above the £163m reported at the year end, the group said.

Dunhill plans to expand both organically and through acquisitions using its cash balance.

The group is enlarging distribution for all brands by opening several new shops over the next year.

It has agreed the purchase of a 34 per cent interest in the Japanese distributor of Alfred Dunhill and earlier this year, in June, it acquired a majority interest in Hackett.

"We are at any moment looking at two to four acquisitions. We are looking for good brand names that can be expanded internationally," Lord Douro said.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo Irish Bank ......fin	2§	Jan 13	2	3.36	3.36
Assoc Brit Foods......int	4.5‡	Mar 5	-	16.7‡‡	11
BAA ......int	5.75	Jan 27	5.25	-	13
Babcock ......int	1.25	Jan 20	1.2	-	3
BET ......int	4.25☆	Jan 31	4.25	-	13.25
Brit Empire Secs......fin	0.61	Jan 2	0.53	0.86	0.78
British Inv Tst ......int	9.5	Jan 17	9.5	-	22.5
Chamb'lin & Hill......int	1.75	Dec 20	1.75	-	5.75
Danka Business ......int	1.25	Jan 24	1	-	3
Diploma ......fin	6.5	Jan 7	6.25	8.75	8.5
Dunhill ......int	2.75	Jan 10	2.6	-	7
Emap ......int	2†	Jan 10	1.9	-	6.9
F&C Eurotrust ......fin	1.18†	Dec 18	1.12*	1.18	1.12
Glasgow Inc Tst ......fin	1.4	Feb 26	1.35	3.2	3.15
Mercury Asset ......int	6.5	Dec 17	5	-	25
Warburg (SG) ......int	5.25	Dec 17	4.5	-	16

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡Third interim. ‡‡For 76 weeks

COMPANY NEWS IN BRIEF

EXPLORATION COMPANY of Louisiana, oil and gas exploration and production company quoted on the London market, reported increased third quarter net loss of $762,000 (£443,000), against $103,000 in the three months to September 30 on turnover of $2.75m ($2.14m). Lower oil prices were blamed.

IVORY & SIME has sold its wholly-owned subsidiary, Jamison, Eaton and Wood to Mr Keith Wood, Mr James McGonigle and Mr James Hickok, the original vendors of the company to Ivory & Sime in 1989. Consideration is £855,995 and Ivory will repurchase the 661,000 ordinary Ivory owned by the purchasers at 129.5p per share. Ivory has also entered into a non-competition agreement with the purchasers, for which it will receive $550,000 (£220,000).

JEYES has acquired Rufus Forpacknings, of Sweden, for up to £950,000. Rufus makes wet tissue products for the hygiene, cosmetics and medical care markets in several European countries, including the UK.

TRIO INVESTMENT TRUST: English Trust Group announced a tender offer at 50p per Trio share for 1.2m shares representing approximately 29.9 per cent of its current issued ordinary share capital.

It's a chill wind that blows no-one any good

Richard Gourlay chronicles the changes at BET since the arrival of John Clark

MR JOHN CLARK has sent a chill wind whistling through the corridors of BET in the seven months since he was appointed chief executive just months after the group experienced its first earnings decline in a decade.

Armed with the full lexicon of business school theory – "basic block and tackle", he calls it – Mr Clark has implemented a swathe of management, financial and cultural changes at the business support conglomerate.

The medicine prescribed is so far-reaching that the resulting impression is that BET did almost nothing right in the last five years, during its debt-driven acquisition drive.

Mr Clark will not say as much and neither does he dwell on the past, unless it carries lessons for the future.

"In five years BET spent £1bn on acquisitions and it's time to get a return," he says. "I looked back five years and I really couldn't find any cash generation."

His first priority, after the institutions demanded that Mr Nicholas Wills should move aside as chief executive, was to attack gearing. This he feels has been achieved through the sale of Biffa, the waste management company for £212m, and through operating cash flow. Gearing is down from 122 per cent to 38 per cent.

However the $500m of Auction Market Preference Shares (AMPS) is not included in either the gearing calculation or the interest cover, which when the gross preference dividend is included, is slightly less than three times.

He has refinanced the debt, changing its profile from short-term to longer-term. And there are plans to remove some debt-backing lease operations from the balance sheet.

Trevor Humphries

John Clark: concentrating on cutting gearing and increasing the generation of cash

His second priority was cash generation, which in the first six months of 1990 degenerated into an outflow of £163m. This has been reversed and the group generated £22.6m of cash in the first half of this year, after paying £75m for the AMPS and dividends.

To achieve this, BET cut capital expenditure from £139.6m to £19m, significantly less than depreciation of £88m, opening itself to the charge that it is only generating cash by running down its capital stock.

One analyst said this tighter control of capital expenditure suggested Mr Clark was "doing a classic Hanson", cutting capital employed to make what was left work harder.

BET is also trying to move away from being run like a financial holding company towards an operating company. Management talent has been redirected to the profit centre level and the head office, slimmed down from 252 people to about 100, has instituted a rigorous system of "prayer meetings".

Managers of each operating unit are now have to make presentations on plans and performance once every couple of months, by implication a practice with which they would not have been familiar in the past.

These will be co-ordinated with a string of new targets, or what Mr Clark calls management by objective, like cash generation levels and earnings before interest and tax, which are set every six months.

Following the appointment of Mr Robert Mackenzie as finance director last week and the financial controls put in place by Mr Clark, the institutions might be sleeping more comfortably.

However there is little they or BET can do about the economic environment. Mr Clark says there is no sign of an upturn either in the UK, which accounts for 60 per cent of sales, or in the US, accounting for 20 per cent.

Much of this was evident before yesterday's results, leading last week to concern that BET might have to cut its dividend. Mr Clark said yesterday that the recession was hiding the benefits of the "intense restructuring and cost reduction".

Nevertheless the dividend was maintained at 4.25p, a factor behind the 5p rise in the share price to 212p, despite the fall in the FT-SE 100 index.

UK COMPANY NEWS

11% advance for resilient Babcock

By Jane Fuller

BABCOCK International, the engineering contractor and manufacturer, continued to prove its resilience against recession with an 11 per cent increase in pre-tax profits, from £21.4m to £23.7m, in the six months to September 30.

Sales rose 18 per cent to £415m (£352m). Interest income fell to £3.8m (£4.4m) as the cash pile diminished from £70m at the year-end to £57m.

Mr Erik Porter, finance director, said advances from customers had moved into work-in-progress. The amount of "truly free" cash held was stable at £20m-£25m.

Mr Oliver Whitehead, chief executive, said Babcock had scope to make acquisitions in materials handling and water. Another consideration would be to build up the continental part of the business, which increased its interim profit to £2.36m (£1.79m).

In energy and manufacturing, pre-tax profit rose by £1.11m to £8.3m. Turnover of £124.3m (£74.2m) was boosted by a flue gas desulphurisation project at the Drax coal-fired power plant and by the supply of pipework for the Sizewell B nuclear power station.

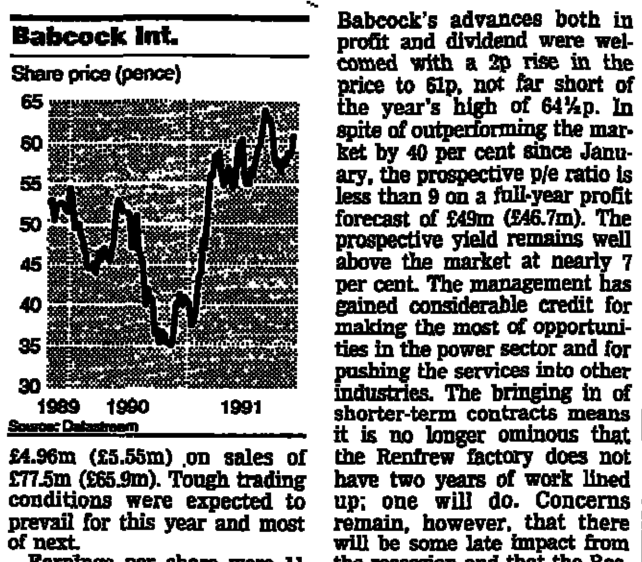
Mr Porter said that little profit was taken at this early stage of those contracts, whereas a year ago profits were taken at the end of several, which helped to explain the fall in average margin.

Construction and process plant contracting saw profit rise to £5.06m (£4.31m) on sales of £90.2m (£94.4m). Maintenance work had grown at power stations and in sectors which Bacock had penetrated more recently, including process plant for oil refining and pharmaceuticals.

Against that progress was a decline in profit to £4.17m (£4.85m) in facilities management, notably the Royal Navy dockyard at Rosyth. After disruption to the submarine refit programme, which caused 500 job losses, the short term outlook had improved.

In South Africa, profit fell to £4.96m (£5.55m) on sales of £77.5m (£65.9m). Tough trading conditions were expected to prevail for this year and most of next.

Earnings per share were 11 per cent ahead at 3.32p (3p). The interim dividend is raised to 1.25p (1.2p).



● COMMENT

Against the falling market, Babcock's advances both in profit and dividend were welcomed with a 2p rise in the price to 61p, not far short of the year's high of 64¼p. In spite of outperforming the market by 40 per cent since January, the prospective p/e ratio is less than 9 on a full-year profit forecast of £49m (£46.7m). The prospective yield remains well above the market at nearly 7 per cent. The management has gained considerable credit for making the most of opportunities in the power sector and for pushing the services into other industries. The bringing in of shorter-term contracts means it is no longer ominous that the Renfrew factory does not have two years of work lined up; one will do. Concerns remain, however, that there will be some late impact from the recession and that the Rosyth contract will either go elsewhere in April 1994 or have its margins screwed down. For steady growth, especially in the dividend, the shares look reasonable.

Scapa pays £27m for Swedish competitor

By Andrew Bolger

SCAPA GROUP, the Blackburn-based manufacturer of specialist products for the paper and printing industries, has agreed to pay £27.3m for Scandiafelt, one of its Swedish competitors.

Scapa said the company, which is quoted on Stockholm's over-the-counter market, had complementary products and strengths in both engineered products and filtration, so combining both groups would yield economies of scale.

The offer – SKr260 cash for each Scandiafelt share – values it at £34.9m. However, this will be offset by £7.6m from agreed disposals of metalworking division and property interests, which will be completed when 90 per cent of Scandiafelt's shareholders accept the offer. Scapa already has acceptances representing 61 per cent of the shares.

This is the second acquisition by Scapa since it raised £55.6m via a rights issue in May. In August it paid $20mfor the JW Hewitt Machine Company of Neenah, Wisconsin, which manufactures and services rolls and machinery for the pulp and paper industries.

Morgan Crucible expands in the US via three purchases for £32m

By Charles Leadbeater, Industrial Editor

MORGAN CRUCIBLE, the industrial materials manufacturer, yesterday announced the acquisition of three US companies for $55.4m (£31.7m).

The acquisitions, which will further Morgan's strategy of expanding into niche markets, will be paid for from the proceeds of the £96m rights issue in April.

Morgan will only pay about $19.3m on the deals this year as payment on each of the purchases is phased over periods ranging between 18 months and five years.

Mr Bruce Farmer, chief executive, said the remainder of the rights issue would fund other acquisitions Morgan was considering to complement its main ceramics and carbon activities.

He said the group was considering two deals in Germany, one in France, two in the US and one in the Far East. It was also planning to dispose of more of its non core activities.

The main deal is the $39m acquisition of Wesgo, a maker of technical ceramics for seals and valves and a subsidiary of GTE, the US telecommunications and electrical group.

The UK group has been talking to GTE since 1981 about the possibility of acquiring Wesgo which has been the source of much of its ceramics technology.

Morgan will cut costs by merging its New Jersey ceramics plant with Wesgo's operations at nearby Fairfield, and its position in the European ceramics market will be strengthened through Wesgo's substantial operations at Erlangen, Germany.

In addition, Mr Farmer said Morgan would safeguard its access to Wesgo's technology which its UK operations had relied upon. Wesgo made an operating profit of $6.2m in 1990 on sales of $54.5m.

Of the other deals Morgan is paying $10.1m for Carbon Technologies, a Rhode Island-based producer of carbon components, which will supply its carbon plants in Dunn, North Carolina, and Fostoria, Ohio.

Payment is staged over five years. CTI made a profit of $850,000 in 1990 on sales of $6.8m.

The third purchase for between $4.7m and $6.3m is that of Fulmer, a Pennsylvania-based maker of holders for brushes used in electrical motors.

The final payment will depend on Fulmer's performance.

The US company made a 1990 operating profit of $1m on sales of $5.3m.

Burn Stewart gets £83m tag

By Philip Rawstorne

BURN STEWART Distillers, the Scotch whisky company, yesterday announced a flotation price of 140p per share, giving it a market capitalisation of £83m.

The company is seeking a listing by way of a placing and intermediaries offer of 21.59m shares, valued at £30.2m. The placing was completed yesterday subject to recall to satisfy applications from qualifying intermediaries and employees.

The proceeds will be used to pay off debt, leaving the company with gearing of less than 50 per cent.

Burn Stewart, the subject of a £7m management buy-in in 1988, made pre-tax profits of £8.2m on turnover of £38m in the year to June 30 1991. The final prospectus, issued yesterday, forecasts pre-tax profits of £10.3m and earnings per share of 12.9p this year. The shares will rank in full for a final dividend of 3.33p payable in November next year.

After the issue, directors will hold 29.4 per cent with Bols, the Dutch drinks group, holding 10 per cent, and existing institutional shareholders, including Murray Johnstone and Charterhouse Development, having 20.8 per cent.

The flotation will make paper millionaires of the original buy-in team – Mr William Thornton, chairman and managing director, Mr Barry Cornwell, sales director and Mr William Walker, production director. The team has transformed the company from a bulk whisky dealer into an all-round distiller, blender, and bottler.

Mr Thornton will have a 18.2 per cent stake, worth £15m; and his two colleagues will each hold 5.4 per cent, worth £4.45m.

The offer, which is being handled by Morgan Grenfell and Cazenove, closes on Thursday.

NEWS DIGEST

Anglo Irish Bank moves ahead 6%

THE TWIN strategies adopted by Anglo Irish Bank Corporation – careful positioning in the home market and a prudent approach to expansion in the UK – proved fully justified, according to Mr Gerard Murphy, chairman.

He was announcing results for the year to September 30 1991, which showed pre-tax profits up 6 per cent, from I£6.15m to I£6.52m (£6m).

The progress in Ireland was exceptional, he said. The first half saw healthy growth in market share but the second showed more caution.

The economic conditions in the UK continued to weaken. The necessity of maintaining adequate bad debt provisions (I£23m at the year-end) and of adjusting to a lower level of economic activity led to a reduced contribution.

Earnings per share came to 7.61p (7.22p). The final dividend is 2p to maintain the total at 3.36p.

Advances in the year rose 35 per cent to I£491.7m and deposits increased 32 per cent to I£702.5m.

Bid for balance of Sun Life

Rockleigh Corporation, a company jointly-owned by Société Centrale Union des Assurances de Paris and TransAtlantic Holdings, is offering £11.60 cash per share for the balance of Sun Life Corporation it does not already own.

The go-ahead follows regulatory approval for the deal and the terms are unchanged from those first announced in September. Rockleigh currently owns 40.69m shares (59.8 per cent) of Sun Life's equity.

The offer, being made by SG Warburg, values the issued capital of Sun Life at about £790m.

MTM pays £2.5m for John Ross

MTM, the Cleveland-based speciality chemicals company, is paying £2.5m for John Ross (Chemicals), which is based in Bude and makes research chemicals and specialist pharmaceuticals.

An initial cash consideration of £1.25m will be raised by the placing of 512,000 shares at 244p. The balance will be paid six months later satisfied by cash or shares.

In the year to March 31 Ross reported pre-tax profits of £310,000 on turnover of £2.16m. Net assets were £945,000 at the end of the period.

F&C Eurotrust net assets advance

Net asset value per ordinary share of F&C Eurotrust rose from an adjusted 137.3p to 158.8p over the 12 months ended September 30.

Available revenue improved from £658,000 to £826,000, equal to earnings of 1.61p (1.49p). The dividend is stepped up to 1.18p (1.12p).

Earlier this year the trust, chaired by Mr Timothy Abell, raised £18.7m via a rights issue to invest in European markets.

A geographical distribution of total assets at year-end showed (in per cent): France 26.5, Germany 22.8, Scandinavia 11.3, Netherlands 10.5, Switzerland 10, Spain 7.8, Italy 5.4, UK 2.2 and others 3.5.

Chamberlin & Hill declines by 34%

Lower trading profit and higher interest charges combined to cut pre-tax profit of Chamberlin & Hill by 34 per cent in the half year ended September 30.

This ferrous metal foundry, cables and switchgear group suffered continued recessionary pressures on volumes and margins. Turnover slipped to £9.04m (£9.47m), the trading surplus fell to £653,000 (£920,000) and pre-tax balance to £581,000 (£876,000).

Despite reasonable success overseas, new export orders had been unable to offset a further deterioration in the UK market.

Earnings per share came to 5.44p (8.11p) and the interim dividend is again 1.75p.

British Inv Trust net assets ahead to 849p

Net asset value at The British Investment Trust rose to 849p at September 30 1991, up from 796p at March 31 and 617p at September 30 1990.

Attributable revenue of the trust, managed by Edinburgh Fund Mangers, amounted to £7.92m in the half year period, down from £8.59m last time reflecting the continuing switch from high yielding fixed interest securities into equity investments.

Earnings per share eased to 12.4p (13.4p) but the interim dividend is maintained at 9.5p.

Oglesby & Butler rises to I£164,000

Oglesby & Butler Group, which is engaged in the manufacture and distribution of electrical, electronic and gas powered tools and accessories, lifted pre-tax profits from I£11,000 to I£164,000 (£152,000), in the six months to September 30.

The company said that the re-organisation and rationalisation of the product range and the consequent improvement in efficiency of the group's operations was progressing according to plan. The outlook for the year is satisfactory, it added. In the year to March 31 1991, losses were I£446,000 pre-tax.

Core product sales were up over the corresponding period, but overall sales fell to I£1.82m (I£2.14m). Earnings totalled 1.33p (0.09p) per share.

Glasgow Income Trust lifts payment

Over the six months ended September 30 1991 net asset value of Glasgow Income Trust improved from 45.98p to 46.96p. At the end of the previous September it stood at 37.64p.

Sine the interim report in May the UK equity market had made little progress, although interest rates continued to fall slowly, directors said.

In the half year gross revenue was again £1.47m, and earnings per share fell to 3.33p (3.46p). The final dividend is 1.4p for a total of 3.2p (3.15p).

Net assets up 23% at British Empire

British Empire Securities and General Trust reported a net asset value of 64.54p as at September 30, an advance of some 23 per cent over the 12-month period.

Net revenue improved from £1.11m to £1.4m for earnings of 1.05p (0.84p) per share.

A recommended final dividend of 0.61p brings the total for the year to 0.86p (0.78p).

Halma buys Palmer for initial £3.4m

Halma, the safety and environmental technology group, has paid an initial £3.39m in cash and shares for Palmer Environmental Services, a maker of underground water pipe leak detection instruments.

A further payment of up to £1.74m is dependent on future Palmer profits. Palmer made £673,245 pre-tax on turnover of £2.86m in the year to September 30 1991.

BOARD MEETINGS

TODAY

Interims- Anglian Water, Bio-isolates, CML Microsystems, Casket, Fleming High Income Inv Trust, Goldsmith, Govett American Endeavour Fund, Hazlewood Foods, Readicut Intl, Thorn EMI, Volex, Young & Co's Brewery.

Finals- Cosalt, Huntingdon Intl.

FUTURE DATES

Interims-

AAH	Nov. 28
Brockhampton	Nov. 28
Christies	Nov. 28
Compco	Nov. 28
Greene King	Dec. 3
Hewetson	Nov. 25
London Electricity	Nov. 27
Mansfield Brewery	Dec. 4
Marston Thompson	Nov. 27
Merrydown Wine	Nov. 25
National Grid Company	Nov. 25
National Grid Holdings	Nov. 25
Northumbrian Water	Nov. 27
Southern Water	Dec. 12
Tiphook	Dec. 5
Tomorrows Leisure	Nov. 25
Vodafone	Nov. 25

Finals-

ABI Leisure	Nov. 27
Archimedes Inv Trust	Dec. 3
Baggeridge Brick	Dec. 11
Capital Radio	Nov. 27
Daily Mail & General	Dec. 18
Eldridge Pope	Dec. 3
GT Asia (Sterling) Fund	Nov. 28
Govett Atlantic	Nov. 25
Royal Dutch Petroleum	Feb. 20
Shell Transport & Trading	Feb. 20
Stratagem	Nov. 20
Tate & Lyle	Nov. 27
United Drug	Dec. 2
Wills	Nov. 22
Yeoman Inv Trust	Nov. 21

Diploma blames poor conditions for 24% drop

By Bronwen Maddox

After "quite the worst conditions for over twenty years" Diploma, the electronics, engineering and building components group, reported a 24 per cent fall in pre-tax profits to £14.5m.

The drop came after turnover for the year to end-September fell by 5 per cent to £142m (£149m).

Electronics saw trading profits fall to £6.2m (£7.7m) although turnover fell only slightly to £83m (£84.5m), mainly because of the fall of about 13 per cent in electronic component distribution prices.

However, Wakefield, the US distributor of network products, improved profits despite tough US market conditions.

ECS, which provides computer aided design and manufacturing (CADCAM) to engineering companies, had found its products a "low priority investment" for its customers but the rate of its losses "has been substantially stemmed during the last six months".

Building components saw profits fall to £6.2m (£7.4m).

Special steels trading profits more than halved to £1.6m (£3.6m) due to intense competition and falls in volume and margins. Mr Christopher Thomas, chairman, said "however proud we are of a Queen's Award for Export Achievement, there is no substitute for orders and these are fewer both at home and overseas.

Net interest received rose to £0.5m (£0.3m).

Earnings fell by 19 per cent to 17.3p (21.4p), but the group nevertheless raised the final dividend to 6.5p (6.25p), making a total of 11.67p (11.33p) for the year.

Mr Thomas said the dividend rise reflected the strong cash position of £26.5m.

Rise of 14% as Danka defies US recession

DANKA BUSINESS Systems, the retail and wholesale distributor of office equipment and supplies in the US formerly known as American Business Systems, increased pre-tax profits by 14 per cent, from £4.65m to £5.28m, in the six months to September 30.

Mr Mark Vaughan-Lee, chairman, said that the figures demonstrated Danka's resilience to recessionary pressures in the US.

Sales rose 13 per cent to £54.5m (£48.3m).

He said that the first-half profits "could have been enhanced by cutting back on the sales costs", but that the board had decided to maintain, and in some cases increase, expenditure on sales. He was confident that with the force of the recession dissipating in certain areas, that policy would begin to pay off.

More than 60 per cent of revenue and "considerably more of its profits" derive from the service, supplies, maintenance and rental activities, though Mr Vaughan-Lee said that the emergence of new products should assist in the recovery of hardware sales, recently inhibited by the recessionary environment.

Earnings advanced 16 per cent to 13.1p (11.3p) per share and the interim dividend is lifted 25 per cent to 1.25p.

Ultramar bid battle hots up

By Deborah Hargreaves

THE £1.1bn takeover battle for Ultramar, the diversified oil and gas company, has heated up with Lasmo, the bidder, starting a new offensive to stress its own record. Ultramar countered with its own circular maligning the oil exploration company.

Lasmo pointed out it has nearly trebled its overall reserves through exploration and acquisition since 1983, and at the same time controlled its gearing which has dropped from 100 per cent eight years' ago to 22 per cent.

Ultramar said it had struck a raw nerve with its observations about Lasmo's underperforming share price. Lasmo shares fell another 5p to 295p, which widened the differential between the companies to 37p. Ultramar's shares lost 5p to 332p.

Analysts attributed the share price movement to a couple of brokers' sell recommendations rather than the companies' circulars.

"Lasmo's ambitious paper bid for Ultramar has so far achieved little but a tarnishing of its own reputation," Nomura said.

Board shuffle and placing at ASB Barnett

ASB Barnett Kinnings, the USM-quoted accountancy and executive selection consultancy, is restructuring its board and raising £675,000 net through a placing and open offer.

It also announced results for the first half of 1991 which showed losses reduced from £78,000 to £35,000. However, there was also an exceptional deficit of £86,000 reflecting the cost of an aborted acquisition.

Mr Alan Greenough has been appointed chairman and chief executive and Mr Richard Lee as a non-executive director. At an EGM on December 11, Mr Robert Holt, Mr IW Currie, Mr Dudley Harrop, all executive directors, and Mr John Arnold (non-executive) will tender their resignations. Mr Lawrence Barnett will stay as executive director with special responsibility for the ASB recruitment division while Mr Harrop will a remain senior executive within that division.

The additional equity will alleviate pressure on the capital base brought about by the abortive costs of a significant acquisition and poor trading in July and August.

All bank borrowings will be repaid and the balance sheet will be put into a positive net cash position.

The placing is of 15.5m shares of 2p at 5p each, with institutional and other investors. Shareholders can claw back on a 2-for-1 basis.

Flood of water results designed to create barely a ripple

Michiyo Nakamoto previews the upcoming figures and speculates on the increases in the dividends

THE REPORTING season for the 10 privatised water companies' interim results is approaching a peak with six of them coming out with figures for the six months to September before the end of this month.

Thames Water, the only water company to publish its interims so far, kicked off what is expected to be a relatively subdued round of announcements.

Unlike most results of late, interest in the water companies' interims will focus less on how the companies have fared in their main business and more on how they have managed the cash endowment most of them received from the government.

Attention will also focus on the companies' dividend policy in the face of regulatory antagonism towards conspicuously high dividend increases.

Water being a relatively stable business, revenue from the core operations will not, to any significant extent, have been affected by the UK recession, while the non-regulated businesses embraced so far will not yet have had much of an impact on profits, with the possible exception of Biffa, the waste management company, on Severn Trent.

Meanwhile, most companies' operating cost rises are well covered by their price increases. The companies are also, on the whole, managing to carry out substantial capital expenditure within their budgets.


The baby and the bathwater: making profits, yet avoiding attention over dividends

Where the performances will differ will be in the extent to which the companies' interest income has been eroded by capital expenditure programmes and ambitions for diversification.

For example, South West Water, one of the most seriously affected by EC directives on waste water, is expected to report flat profits at the interim stage due to a fall in interest income. At the pre-tax level the prediction is for profits of £48m against £46m previously.

For the full year, South West's interest income is forecast to fall to about £24m (£37m) so that while operating profits could rise by about 25 per cent to £64m, pre-tax profits are likely to be virtually unchanged at £88m.

Meanwhile, North West Water, which derived £17m of last year's £115m interim pre-tax profits from interest income, is expected to have fallen into a net debt position by September.

The company has been moving aggressively into process engineering, and has eaten into its "green dowry" in order to make acquisitions aimed at consolidating its position in that field. Additionally, it is having to spend quite substantially on a capital expenditure programme aimed at improving sewers in its many old towns, cleaning up its high profile beaches and the River Mersey.

Likewise, Severn Trent will feel the impact of its £212m acquisition of Biffa in May feed through to its profit line.

Last time Severn made £26.7m from receivable interest at the half-year stage out of £135m pre-tax profits. Its forecast interim pre-tax figure of £140m represents a relatively modest 4 per cent increase over the previous period.

Attention will also be focused on the companies' interim dividend policy in light of the highly publicised stance of Ofwat, the regulatory body, on the issue.

Against the regulatory environment, dividend growth is hardly expected to be as high as in 1990-91, when it averaged more than 15 per cent.

The companies' dividend cover is also falling as a result of the loss of interest income, but because of the low ratio between the dividend cost and capital expenditure still enjoyed by the water companies, there is still scope for attractive dividend increases.

Hoare Govett is forecasting nominal growth of about 11 per cent in the companies' full-year dividends, which, assuming a 5 per cent inflation rate, gives real rises of 6 per cent.

The growing assumption is that anything noticeably exceeding this level of increase could very well attract the unwanted attentions of the regulatory authorities.

Thames, in this respect, set the tone for a conciliatory line towards the regulator by keeping its dividend increase to 7.8 per cent. Assuming, as Hoare Govett does, a 1-to-3 split between the first and second half, this comes to an annual increase of 10.5 per cent.

From the point of view of dividend cover, there is potential for strong dividend increases.

Welsh, with a forecast dividend cover of about 4 times, has the greatest potential to increase its dividend. On the other hand, as a highly attractive company to investors, it is also the most susceptible to regulatory intervention designed to restrict excessive profits growth.

Thames' decision on the interim dividend indicated a sensitivity to the political implications of causing a stir as the country approaches a general election.

As far as their shares go, the water companies can be far more affected by this political factor than by their results. The benefits for the share price of all the hard work put into increasing profits could still be eliminated by an opinion poll showing a strong Labour lead over the Conservatives.

Tool makers find the missing link

By Andrew Baxter

The recent announcement of a co-operation agreement between Bridgeport Machines, the Leicester-based machine tool manufacturer, and Maho, the German company that claims to be Europe's biggest producer, has come at an auspicious time for the UK partner.

Later this month, US-owned Bridgeport will be unveiling three new ranges of vertical *machining centres – multi-*function metal-cutting tools with a vertical spindle, to enhance its wide range of vertical and horizontal machines.

The new models are a clear message to Maho that its new partner is prepared to continue spending on technological innovation in a recession to develop its product range.

For Malcolm Taylor, Bridgeport's *managing* director, there have been two clear priorities for the company's product development effort – to pack its machines with more technology for a lower price, and to get new products on to the *market* quicker. After the recession, he says, "people will be looking around, and if they make a capital investment, it will be more important to get more for less."

Many of the new ranges' features are incremental improvements in performance on their predecessors, but still important to manufacturing *customers* seeking ever-higher productivity from their machine tools.

An example is increased rapid traverses or "rapids:" in a "bed-type" machine tool such as Bridgeport's the work surface or "table" moves on its x- and y-axis, and the spindle moves up and down on its z-axis. Speeding up the traverses minimises the time taken for the tool to adjust from one cutting position to another.

The other basic machine tool configuration is the so-called "knee type," where the table moves up and down instead of *the spindle*.

In evaluating the positioning of its machines in the market place, Taylor also saw the need for Bridgeport to plug a gap at the top end of the market with a new machine in the one metre-plus range – where the width of the table or "x-axis" of the machine is 1,000mm or more.

Bridgeport had entered this growing sector only in March, with a machine called Interact 1020X, derived from its current middle-sized machine the 720. The machine was launched in continental Europe in March, notching up sales of £1.5m in its first two months, and launched in the UK in June.

The new machine, the VMC 1000, has taken six months to *produce*, from conception to coming to market, compared with an industry average of 18 months to two years, says Taylor. The achievement is the result of the establishment a year ago of a multi-disciplinary specialist team from sales, research and development, purchasing and manufacturing to co-ordinate design, manufacture and marketing and save time throughout the development process.

In its most sophisticated version the new machine can change tools in three seconds compared with six seconds for the 1020 model launched earlier this year. The machine tool control system has been improved, using the latest system from Heidenhain, the Bavarian group, for digitising the machining process.

Bridgeport's more co-ordinated approach to product development has also had a beneficial effect on reducing *costs. Taylor says costs* have been engineered out of all three machine ranges.

Helped by a computer-aided design system introduced two years ago, the company now has a more modular approach to product design, mixing and matching modules such as spindle cartridges and standardising the control cabinets for all Bridgeport machines.

Despite the lower prices, these initiatives should enable Bridgeport to obtain higher margins from the small- and medium-sized machines than it had achieved previously. In an industry not noted for its profitability, that is an important consideration.

But Taylor stresses that it is certainly not Bridgeport's strategy simply to cut prices to Taiwanese level. The new metre machine, he says, aims for high value-for-money by offering Bridgeport quality at Taiwanese prices.

Louise Kehoe looks at why US lawsuits over intellectual property rights are on the rise

Mind games

TJ Rodgers displays lawsuits on the wall of his Silicon Valley office like battle trophies. He has gathered more than a dozen since founding Cypress Semiconductor eight years ago and likes to boast that he has "never paid a penny" to any of his company's accusers.

Lately, however, these legal disputes over intellectual property rights have become an irritating distraction from the business of manufacturing semiconductors. "I have had to spend one day per week for the past year working on legal issues," Rodgers complains.

He is not alone. The US semiconductor industry is rife with litigation. Patent and copyright infringement suits are now commonplace with most of the big manufacturers involved in multiple cases. "The cost of legal fees, and the time that senior executives are spending in meetings over these lawsuits is running into millions of dollars," says Alfred Stein, chairman and *chief executive of VLSI* Technology, another Silicon Valley chipmaker which, like Cypress, is facing patent infringement complaints filed by Texas Instruments.

Some see this proliferation of legal disputes as a symptom of decline in an industry that is struggling to maintain its international competitiveness against mounting Asian competition. Rodgers accuses Texas Instruments of using lawsuits to "extort patent royalties to keep its sinking semiconductor business afloat".

Others view the legal quarrels as part of the maturing process of the industry. In the 1960s, when the US semiconductor industry was in its infancy, intellectual property rights were neither highly valued nor strictly respected.

Until the 1980s, US semiconductor companies paid each other only nominal royalties to license patented technologies. In *many cases companies* simply agreed to swap licences. In the mid-1980s, however, some of the largest US semiconductor manufacturers began taking a more serious interest in intellectual property rights.

"There was sea change in the industry culture. We recognised that our intellectual property assets were very valuable, and that we were not getting a good enough return on those assets," says Richard Agnich, Texas Instruments general counsel. Since 1986, TI has collected more than $800m (£450m) in patent licence royalties, including $150m in the *first six months of* this year.

The US semiconductor industry is not unique in re-evaluating intellectual property rights. The creation of a US Federal Appeals Court dedicated to intellectual property disputes, in 1982, and its rulings in favour of patent holders have encouraged many US companies to take a stronger stand on protecting their technology.

The rising cost of semiconductor design and development has also, however, prompted chip makers to become more vigorous in defence of intellectual property rights. For Intel, the leading manufacturer of microprocessors, the cost of product development has risen from a few million dollars a decade ago to "hundreds of millions of dollars" for its next generation device, to be introduced next year.

Intel is aggressively pursuing competitors which it claims *have illegally* "cloned" its technology. The company's disputes with former partner Advanced Micro Devices, which launched its own version of Intel's popular 386 microprocessor earlier this year, have created one of the most bitter and longest running legal battles in the history of the industry.

Setting a precedent in the US semiconductor industry, however, Texas Instruments and *Chips & Technologies* are now both, in separate cases, seeking exclusion orders against products from US-owned chip companies with offshore manufacturing facilities.

Such cases are a "misuse of the ITC [International Trade Commission]," claims Wilfred Corrigan, chairman and chief executive of LSI Logic, one of the defendants in Texas Instruments trade complaint. The ITC was created to enable US companies to seek protection from unfair foreign competition, he maintains.

For its part, TI points out that there is ample precedent *in other US industries for its* ITC complaint and that it is using legal protection "equitably" to address complaints against foreign and US companies alike.

The acrimony created by these legal disputes among US chipmakers now threatens, however, to factionalise the industry, making it more vulnerable to foreign competition, some fear. The lawsuits could be "devastating to the US semiconductor industry. Japanese companies aren't doing this [to each other]," warns Stein.

There is growing concern in industry circles that the semi*conductor industry's ability to* unite in efforts to influence public policy in Washington on critical issues such as Japanese trade could be weakened by divisive lawsuits.

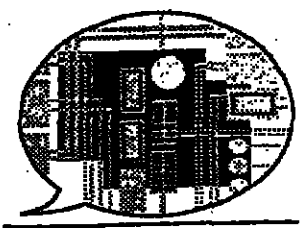
"We have all worked together on US competitiveness issues. Now we have a situation in which one company is picking on others. *This* is very counterproductive," Stein complains.

Litigation is having a disruptive effect on the industry, agrees Joseph Hinchey, who retired this month as chief financial officer of Analog Devices. The industry has not yet worked out the true value of patent rights, Hinchey suggests.

A case in point is the patent granted last year to Gilbert Hyatt, a little-known researcher who claims to have invented the single chip microcomputer in the late 1960s and aims to "rewrite the history of the US *semiconductor industry*". North American Philips, the US subsidiary of Philips of the Netherlands, agreed to license US semiconductor and electronic display patents from him. All other chip manufacturers, however, have refused to recognise his patents.

Paperless office may yet arrive

By Louise Kehoe



TECHNICALLY SPEAKING

Take a look at your desk. What is on it? A personal computer perhaps, a telephone, a coffee mug and paper – stacks and stacks of it. Whatever happened to the idea that personal computers would create the paperless office?

Computer-generated documents have only added to the deluge of printed matter. One of the reasons for this proliferation of paperwork is that *while computers* are good at creating new documents using word processing and desktop publishing programs, they are primitive when it comes to distributing them.

To transmit text from my PC, for example, to the FT editorial computer system in London, normally requires that the document be *translated into a* simple Ascii-coded text message. Lost in this translation is the layout of the text and the style and size of type fonts.

The problem is that there are, at present, no widely recognised standards. One solution would be to make all *computers* compatible. This is the goal of "open systems" – to create industry standards for the software that controls a computer's functions.

Taking the open systems approach to document interchange, six leading computer manufacturers – Digital Equipment, Groupe Bull, IBM, *ICL, Siemens/Nixdorf and* Unisys – formed a consortium earlier this year to develop software that enables complex documents to be sent electronically from one type of computer to another.

The Open Document Architecture Consortium aims to develop a "toolkit" of specifications by 1993.

Adobe Systems is taking a more pragmatic approach to the problem. The Silicon Valley software developer says that it will launch products next year that enable complex documents to be transferred among Unix workstations, *IBM-compatible* PCs and Apple Macintosh computers.

Adobe aims to establish a *de facto* standard for document interchange, just as its Postscript page description language has become the industry standard used by most big computer and printer manufacturers.

Despite the open systems movement, there will never be a single software standard for computers, Adobe maintains. "As soon as you have a standard, computer manufacturers look for ways to differentiate their products by adding features, and *you no longer have* a standard," says Chuck Geschke, president of Adobe. Instead, Adobe works on the assumption that for the foreseeable future it will be necessary to distribute electronic documents among incompatible computers.

The latent demand for electronic document interchange is huge, Adobe believes. While desktop publishing has enabled people to create complex documents on low-cost computers, "there are far more readers than authors," says Geschke.

An important element of Adobe's "Carousel" technology *is data compression*, which reduces the time and cost involved in transferring complex documents.

Also essential is Adobe's method of mimicing different typefaces, thus overcoming the need for every computer receiving a complex document to store dozens of different styles of type in order to display it in its original form.

Adobe's "Carousel" technology raises some intriguing questions. How is the value of information enhanced by its appearance? Is this a threat to traditional publishers, or a big new opportunity? Can the design of an electronic document be protected by copyright?

But think of the advantages: getting rid of those piles of paper and being able to find, instantaneously, that one report that always goes missing at the crucial moment.

COMMODITIES AND AGRICULTURE

EC ministers link farm policy to Gatt outcome

By David Gardner in Brussels

MR RAY MacSharry, the European Community's agriculture commissioner, said yesterday that he expected to win assent for his plans to overhaul the Common Agricultural Policy by January or February. He was warned by agriculture ministers, however, that they would not take decisions on CAP reform until they knew the outcome of the Uruguay Round trade negotiations, which hinge on a deal to cut farm subsidies.

The ministers were meeting yesterday for their first formal discussion of the European Commission's plans to cut cereals prices by 35 per cent over three years. This is the central pillar of the reform plan, and the measure which opens the possibility of a Uruguay Round deal. Mr MacSharry's plan envisages direct payment to all farmers to refund the cuts, conditional on medium to large farms setting aside land to cut production. All except the large farmers would also be compensated for the "set-aside".

The EC wants this direct compensation to be put in the so-called "green box" of the General Agreement on Tariffs and Trade which is conducting the round, because it is decoupled from production and in the community's view does not distort trade.

The UK, France, and Belgium insisted, however, that as Mr John Gummer, the British agriculture minister put it, "a green box must not be constructed which allows the US to include its deficiency payments" for cereals farmers – which are judged by most agricultural economists to be an incentive to produce more.

All ministers were adamant that a Gatt deal had to include "rebalancing" – an increase in protection against cheap US cereals substitutes and some oilseeds which now enter the EC duty-free, in exchange for the community's willingness to cut its cereals exports.

Substantive discussion on the Gatt talks was not set to take place until dinner last night, however, when Mr MacSharry was due to brief ministers informally on his recent talks with his US counterpart, Mr Ed Madigan. These are understood to be on the verge of a breakthrough, impelled by the meeting between President Bush and Mr Jacques Delors, the commission president, in the Hague ten days ago.

Beforehand, however, ministers engaged with the detail of the cereals proposals, in particular with UK and Danish proposals to streamline disbursement of compensation. The UK argued that Brussels plans to calculate set-aside compensation on a complex farm by farm "base area" should give way to a scheme whereby the compensation is paid as a percentage of the area of land for which price support is claimed.

The costs of not reforming

David Dodwell on a critical farm policy report

CONSUMERS AND taxpayers in industrial countries will benefit to the tune of \$170bn a year by the year 2000 if farm subsidies in those countries are unravelled, a report from the London-based Trade Policy Research Centre argues. Without reform the cost to the world economy of present farm price policies will more than treble from a 1982 level of \$16bn a year to \$57bn a year in 2000, it forecasts.

Dr Kym Anderson and Dr Rodney Tyers calculate in their report that farm price liberalisation over the 1990s would result in Western Europe and Japan importing by 2000 an extra 37m tonnes of grain annually, plus 17m tonnes of meat, 67m tonnes of dairy products and 8m tonnes of sugar.

Traditional food exporters like Australia, New Zealand and the US and Canada would see grain exports boosted by 17m tonnes a year, with meat up by 5m tonnes. Farmers in developing countries would gain about \$35m a year from higher food prices and more exports. This reflects a difference for so-called "less developed countries" between yielding a \$6bn surplus on farm sales, and suffering a \$29bn deficit if liberalisation does not occur. At the same time, the annual gain for each non-farm household would be \$1,500 in the European Community (in 1985 dollars), and almost \$3,000 in the rest of western Europe and Japan.

"These high cost [food] policies are not only becoming more costly to the consumers and taxpayers of these protectionist countries; they are also becoming more inefficient over time as a means of transferring welfare to farmers," the TPRC report argues.

Using a grain, livestock and food model which is "a dynamic, stochastic [governed by the laws of probability], multicommodity simulation model of world markets" for seven commodity groups – wheat, coarse grain, rice, ruminant and non-ruminant meat, dairy products and sugar – the study concludes that "90 per cent of the amount transferred to farmers [between 1980-82] was unnecessary in the sense that it went to the wealthiest two-thirds of farmers who are not low income earners".

"A relatively few better-off farmers in rich countries are being made better off by what is effectively a regressive expenditure tax in those countries, and by effectively taxing a huge number of much poorer farmers in developing countries, a group which represents three quarters of the world's farmers and one third of the global workforce."

Currently, food consumers in industrial countries are being taxed between \$1.20 and \$1.44 for every dollar transferred to farmers, the model calculates, with food prices in protected countries "two, five and, in some cases, ten times those in unprotected countries."

"For the protective countries, the budgetary and other costs of continuing to prop up domestic food prices have become almost intolerable, while the burdens these protective policies have placed on farmers in other countries has been especially acute during the latter 1980s."

The study also argues that selective liberalisation – say by the US alone – would have limited value. Only multilateral commitment to liberalisation would ensure global benefits, since only then would world prices rise to levels high enough to minimise damage on farmers in protected markets, and offer sufficient returns to developing country farmers.

Despite the clear message of the data, and the immense budgetary burden involved with continued protection, the authors are sceptical about there being sufficient domestic political pressure for significant reform: "Agricultural protectionism has been around since at least the 15th century," they conclude somewhat world-wearily. "Ways need to be found to ensure that each country's vested interests in non-farm expansion are brought into conflict with, and so help to offset pressure from, vested interest in continued agricultural protection."

Global Effects of Liberalising Trade in Farm Products, by Kym Anderson and Rodney Tyers, a Trade Policy Research Centre Thames Essay published by Harvester Wheatsheaf; £12.95.

Mining investors race for foothold in Peru

Reforms have made the country an attractive proposition again, writes Sally Bowen

A MOMENT of mutual need and opportunity – that is how the general manager of one of Peru's top mines describes the position of the country's major industry. Need because a generalised cash crisis means that all but a handful of mines are losing money, dismissing workers and seriously considering closure; opportunity because investment laws have just changed to make Peru once again an attractive, if still risky, option for foreign money.

Leading mining companies report potential investors "trooping through" for a look at copper, zinc and even silver opportunities in Peru. "It's just as it was in Bolivia, and to some extent in Chile years ago," says one manager. "Investors know there are risks but they are also aware that the moment for securing a foothold in really promising projects is now."

Peru is one of the world's top seven mining countries with an estimated 7 per cent of total international zinc reserves, between 10 and 20 per cent of the copper and silver and a long list of other important minerals. Peru is second only to Mexico in silver output, takes fourth place in the world zinc rankings and eighth in copper. Mineral exports earn the country about \$1.5bn a year, almost half of all its export revenue.

The current mining sector outlook could hardly be gloomier, however. Almost all Peru's 400 small mines have long since closed. Of the 70 or so medium-sized operations, a dozen have shut down in the past year, while another 14 are under temporary closure. Industry sources estimate that some 20,000 Peruvian miners have lost their jobs in 1991 alone.

In the first half of the year, only three mining companies showed profits – Perubar, the Marc Rich-owned operation, the Arias group's Simsa and Orcopampa, majority-owned by Peru's main private silver miner Buenaventura. The first two are primarily zinc mines, and even their small first-half profits (Simsa turned in the highest figure and that was a bare \$1m) are likely to have dropped further with the decline in the international zinc price.

US-owned Southern Peru Copper Corporation, which accounts for about two-thirds of Peru's total copper output, turned in substantial losses for the first half, although the company is now thought to be back in the black.

In the state sector, the situation is even more critical. Centromin, the state-owned mining and refining giant, which employs some 15,000 workers in its seven central Andean mines and huge refinery complex, has accumulated losses and debts to suppliers of between \$300m and \$400m. Even last year, the company could operate at only three-quarters capacity and this year that has dropped further still. Sales for 1989 and 1990 notched up \$502m and \$478m respectively.

Cost-cutting proposals by Centromin management – which included closure of the Andaychagua mine, reduction of the working week and increased redundancies – have enraged the unions. A strike of Centromin workers called in opposition to privatisation was gradually gaining support last week. Regional representatives in Caceres, the central Andean department where Centromin is located, are claiming that privatisation will mean 50,000 more miners and their dependents losing their livelihoods. Already, droves of unemployed miners from recently-closed smaller operations are to be seen begging from lorry-drivers along Peru's Central Highway, which leads from Lima to the mining heart of the country.

Mine-owners blame three factors for the current collapse, all outside the industry's control. Exacerbating the fall in international mineral prices, the Peruvian currency (the sol) is overvalued by up to 60 per cent, says the National Mining Society. Local costs – which include the continent's most expensive energy and substantial outlay on anti-terrorist security measures – have leapt ahead. Meanwhile the dollar, always in plentiful supply in Peru thanks to revenue from the illegal drugs trade, has stubbornly failed, except in the past month, to match inflation.

Mining, like Peruvian industry in general, also grapples with internationally uncompetitive financing costs. Banks are still charging borrowers up to 24 per cent a year in dollars, while loans in local currency cost between 10 and 14 per cent a month. A recently-disbursed \$30m credit line from the Andean Development Corporation is, while welcome for smaller mines, no solution to the severe cash-flow crisis afflicting the majority of medium-sized mines, according to the mining society.

The industry has pressed since the start of the Fujimori administration in July 1990 for government intervention to push up the exchange rate. The government has equally firmly resisted that pressure. To survive, mines have been greedily exploiting their richest deposits, neglecting new exploration and depleting their reserves. Stocks of spare parts, especially in state-run operations, are now perilously low.

Privatisation is now widely accepted across the Peruvian political spectrum as the only way out. Centromin, along with Mineroperu and Hierroperu, the state iron company, are all on the government's priority list. They could together be worth \$1.5bn, but all need swift and substantial injections of capital.

Delays in getting privatisation started has led Mr Augusto Baertl, the mining society's president to accuse the government of "lacking the political will to sell off the state companies". That criticism is likely to be deflected, however, closed by the appointment less than two weeks ago of Jaime Yoshiyama, as mines and energy minister. Mr Yoshiyama has promised "to move swiftly towards an aggressive privatisation plan" for Centromin, Hierroperu and the petroleum sector.

Privatisation prospects are strengthened by a new mining investment promotion law, promulgated late last week. No mining activity will henceforward be reserved for the state alone. Joint ventures are to be encouraged within a regime exceptionally favourable to foreign investment. Complete freedom to remit profits is guaranteed, as is availability of foreign currency. Internal taxes are deductible for all mining products subject to internationally quoted prices.

Pioneer investors currently sniffing out opportunities in Peru will be going for associations, joint ventures or partnerships with established local mines, predicts one general manager. "Apart from the terrorism factor, foreign companies don't know how to operate in a loony economy like this."

But economic stability is closer each day. "We have the projects and now we have the investment conditions," said Mr Baertl. "Investments will come."

After a series of meetings with US oil companies in Houston, Mr Jaime Yoshiyama, the newly appointed Peruvian minister for energy and mines is today in Britain to brief the Department of Energy, merchant bankers and several leading oil and mining companies on private investment opportunities in Peru.

Mr Yoshiyama, formerly a private businessman, won recognition in his previous post at the transport and communications ministry, where he moved swiftly to deregulate urban transport, free up maritime trade and commence privatisation of airport administration and services. Highly valued within the liberal Fujimori administration, he was widely tipped to be the new Premier. The Peruvian mining and energy sector views his appointment as a signal that privatisation in the sector will now move ahead swiftly and surely.

My Yoshiyama is today scheduled to meet representatives from Shell, the Anglo-Dutch oil company which several years ago discovered the huge Camisea gas and condensates fields in the Peruvian jungle. Development of the deposits, estimated to comprise 10.8 trillion (million million) cubic feet of natural gas and 725m barrels of condensates, was halted by a dispute between Shell and the previous, Alan Garcia, government, but is considered a top priority by the present government and the energy industry at large.

Meanwhile, back in Peru, the week-long Centromin strike continues. The company started to issue dismissal notices to some 5,000 workers after the stoppage was declared illegal. Weekend reports indicated that workers were returning to the refinery complex at La Oroya. Miners at the Cobriza copper mine, however, were said to be joining the strike.

Government heralds period of farming change

By Bridget Bloom, Agriculture Correspondent

THE BOOKLET is glossy and the message – on the face of it – acceptably green. Only on a closer reading of the UK government's new policy document, Our Farming Future, is it obvious that British farming is facing the greatest period of change since the 1940s.

The document, much heralded over the last few months by the Ministry of Agriculture, was published at the weekend following a seminar on food marketing, hosted by the prime minister, Mr John Major.

It is the first time since the controversial Alure programme of 1987, on alternative land uses, that the government has attempted to identify farming's problems and present its own prescriptions for them in a popularly accessible way.

The document ranges widely, from the reform of the Gatt and the EC's Common Agricultural Policy to the creation of new environmentally sensitive areas (12 over the next two years) and targets for (now much reduced) government research and development spending.

Internationally, there is little new: the government pronounces itself in favour of reform in general but, especially in relation to the MacSharry plan for CAP reform, against particular proposals.

It is notably cool on "the bias of support systems in favour of very small producers (which) would reduce the efficiency and competitiveness of community agriculture and discriminate between member states". It would, it says, also cost more. It advocates seven principles that should underly the CAP reforms, including "greater recognition [of] the importance of environmental protection".

At home, much emphasis is laid on the UK's potential lack of competitiveness in food production as the EC single market approaches. The challenges range from reducing a deficit on external trade of nearly £6bn to encouraging farmers to market co-operatively – there is to be £5.4m to aid new producer groups over the next few years.

Reforms are also heralded for the milk, wool and potato marketing boards, and for the livestock and meat industries.

Though organic farmers will welcome a new £3.5m research programme, there is not much comfort for most farmers in the document's environmental provisions, with new codes of conduct to protect water, soil and air against pollution and an acceptance by government of the principle of "cross-compliance", under which subsidies are made conditional on farmers protecting the environment.

Free from MAFF Publications, London SE99 7TP or telephone 081 694 8862.

Lasmo makes big oil find in Colombia

LASMO, THE UK oil exploration company, announced a significant oil find in Colombia yesterday where the discovery well showed oil flowing at a rate of 2,500 barrels a day, writes Deborah Hargreaves.

Mr Joe Darby, managing director of Lasmo's western region, called the discovery "exciting" and said it represented one of the most important finds in the Guadalupe formation for two decades.

The Guadalupe formation is in the Upper Magdalena valley and the well is just 15 km (9 miles) from a pipeline, which means that oil could be produced early in 1993.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold price rose to over \$360 a troy ounce on the London bullion market yesterday, moving inversely to the Dow Jones index on Wall Street as fears that the US was heading back into recession raised the prospect of a possible cut in interest rates. Immediate resistance was pegged at between \$362 and \$363, with significant producer selling seen emerging around \$366. Analysts said that the medium-term outlook was improving after a Soviet newspaper reported at the weekend that the head of the Soviet parliament's audit commission said the Soviet state bank Gosbank had no reserves at all. Comex gold futures were firmer at midday. Pessimism over the US economy depressed both copper and aluminium on the LME. No confirmation of any further production cuts added to the gloom in the aluminium market. The lack of improvement in US demand, coupled with some slowing in Japanese and German economies, is likely to keep consumer demand very much on a hand-to-mouth basis, giving little prospect for any recovery in prices. Economic indicators will be watched very carefully, traders said. Sterling's strength against the dollar helped to push London cocoa prices down sharply.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	\$18.00-0.05q	-.15
Brent Blend (dated)	\$21.30-1.40	-.275
Brent Blend (Jan)	\$21.25-1.30	-.15
W.T.I. (1 pm est)	\$22.40-2.45q	-.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$241-243	
Gas Oil	\$207-209	-3
Heavy Fuel Oil	\$91-93	
Naphtha	\$215-219	-4.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	\$361.10	+5.20
Silver (per troy oz)♣	405.5c	+4.5
Platinum (per troy oz)	\$382.0	+3.5
Palladium (per troy oz)	\$84.50	+0.25
Copper (US Producer)	111.2c	+1.4
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.55r	-0.04
Tin (New York)	253.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.08p	-0.83*
Sheep (dead weight)†	156.42p	+17.9*
Pigs (live weight)†	89.67p	+10.3*
London daily sugar (raw)	\$214.0x	+2.0
London daily sugar (white)	\$277.0x	+3.5
Tate and Lyle export price	£228.5	-0.5
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£141.5	
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	50.75p	-0.50
Rubber (Jan)♥	50.75p	-0.50
Rubber (KL RSS No 1 Dec)	222.0m	-1.5
Coconut oil (Philippines)§	\$505.0x	+5.0
Palm Oil (Malaysian)§	\$365.0x	
Copra (Philippines)§	\$402.5z	
Soyabeans (US)	£147.5	-1.5
Cotton "A" Index	62.75c	-0.90
Wooltops (64s Super)	403p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX (\$ per tonne)

Raw	Close	Previous	High/Low
Dec	187.00	187.00	187.00
Mar	181.80	183.60	182.40 180.00
May	182.00	184.00	183.80 183.00
Aug	186.00		187.00 186.00
Oct	185.00		185.00 184.00

White	Close	Previous	High/Low
Mar	271.4	273.8	273.4 270.5
May	271.3	273.3	273.0 270.3
Aug	274.8	277.0	276.3 273.5
Oct	251.5	253.0	252.2 249.3
Dec	249.2	251.5	249.8 248.5

Turnover: Raw 191 (1901) lots of 50 tonnes. White 684 (1901)
Paris- White (FFr per tonne): Mar 1510.45, May 1520.90

CRUDE OIL – IPE \$/barrel

	Close	Previous	High/Low
Jan	21.18	21.59	21.81 21.01
Feb	20.90	21.28	21.43 20.80
Mar	20.50	20.90	21.00 20.67
Apr	20.25	20.47	20.70 20.25
May	20.05		20.05
June	19.85		19.85
IPE Index	21.27	21.07	21.27 21.27

Turnover 14750 (22974)

GAS OIL – IPE \$/tonne

	Close	Previous	High/Low
Dec	206.75	210.00	215.00 206.50
Jan	206.50	209.50	214.50 206.50
Feb	199.50	202.50	208.00 199.50
Mar	192.00	195.00	198.00 192.00
Apr	184.50	187.00	190.50 184.50
May	178.50	181.25	184.25 178.50
Jun	174.00	177.00	179.50 174.00
Jul	174.00	177.00	178.00 174.00
Aug	178.00	178.00	180.50

Turnover 15249 (23608) lots of 100 tonnes

TEA

There was good general demand this week, reports the Tea Brokers' Association. Better quality Assams were well supported at fully firm rates, particularly for pekoe dusts. Mediums sold quite readily, but plainer sorts were a strong feature with prices improving by 2p to 8p. Brightest liquoring east Africans remained about steady, while mediums and plainer kinds often showed advances of 2p to 4p. The limited selection of offshore teas available sold at firm to dearer rates. The highest price realised this week was 199p for an Assam pl.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	728	741	737 725
Mar	763	779	773 761
May	789	802	797 785
Jul	812	825	819 810
Sep	833	847	841 829
Dec	858	872	865 856
Mar	884	897	892 882
May	901		902
Sep	933	946	941

Turnover: 6407 (2613) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.15 973.71 (951.05) 10 day average for Nov.18 948.41 (944.39)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	578	586	586 574
Jan	588	594	593 585
Mar	578	571	578 569

Turnover: 9751 (6775) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.15: Comp. daily 64.13 (64.42) 15 day average 63.40 (63.37)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	131.6	133.2	133.0 131.2
May	148.2	149.5	149.0

Turnover 121 (165) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	123.00	124.50	123.00 122.50

Turnover 50 (165) lots of 20 tonnes.

FREIGHT – London FOX \$10/index point

	Close	Previous	High/Low
Nov	1610		1610 1600
Dec	1605	1615	1605 1595
Jan	1645	1645	1645 1625
Apr	1650	1650	1650 1630
BFI	1608	1609	

Turnover 154 (276)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	123.00	122.60	123.00 122.75
Mar	126.45	126.00	126.10
May	129.40	128.90	129.40 129.00

Barley	Close	Previous	High/Low
Nov	114.60		114.70 114.65
Jan	117.70	117.85	117.75

Turnover: Wheat 69 (762), Barley 17 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	103.0	102.5	103.2 102.5
Feb	106.0	105.0	106.0
Mar	108.0	107.5	107.2
Apr	109.0	109.0	108.5

Turnover:23 (34) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	135.15	137.09			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 38,377 lots
Cash	1142.5-3.5	1157.5-8.5	1144/1142	1141.5-2		
3 months	1170-1	1184.5-5.0	1180/1166	1170.5-1	1168-7	137,151 lots
Copper, Grade A (£ per tonne)						Total daily turnover 31,307 lots
Cash	1326-7	1357-8	1322/1319	1321-2		
3 months	1306-6.5	1331-2	1310/1301	1302.5-3	1307-8	106,645 lots
Lead (£ per tonne)						Total daily turnover 3,048 lots
Cash	276-6.5	282.5-3.0	276/274	274-4.5		
3 months	288-8.5	293-3.5	292/287	287-7.5	288-9	13,922 lots
Nickel (\$ per tonne)						Total daily turnover 5,391 lots
Cash	7350-70	7375-85	7375/7370	7370-5		
3 months	7410-20	7430-35	7490/7410	7425-30	7400-10	18,863 lots
Tin (\$ per tonne)						Total daily turnover 1,411 lots
Cash	5481-3	5485-95	5483	5488-90		
3 months	5540-5	5540-45	5550/5545	5545-7	5545-8	5,036 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 14,464 lots
Cash	1108-9	1093.5-5.5	1092/1091	1093-4		
3 months	1120-1	1108.5-9.0	1130/1102	1107-8	1121-2	35,723 lots

LME Closing £/\$ rate: SPOT: 1.7909 3 months: 1.7679 6 months: 1.7542 9 months: 1.7344

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	\$ price	£ equivalent
Close	360.90-361.30	
Opening	360.30-360.70	
Morning fix	360.05	200.417
Afternoon fix	360.75	200.361
Day's high	361.40-361.80	
Day's low	359.40-359.80	

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.51	6 months	4.42
2 months	4.58	12 months	4.33
3 months	4.50		

Silver fix	p/fine oz	US cts equiv
Spot	224.95	405.15
3 months	230.85	410.00
6 months	236.25	414.90
12 months	247.50	425.35

GOLD COINS (Prices supplied by Engelhard Metals)

	\$ price	£ equivalent
Krugerrand	360.75-361.75	200.50-201.00
Maple leaf	370.75-371.75	206.00-206.50
New Sovereign	88.00-89.00	49.00-49.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	46	43	8	15
600	18	19	30	41
650	5		67	

Cocoa	Dec	Mar	Dec	Mar
700	27	78	1	16
725	8	62	7	25
750	1	48	25	36

Brent Crude	Jan	Feb	Jan	Feb
2150	34	47	32	60
2200	18	30	55	
2250	9	29	14	

New York

GOLD 100 troy oz.; \$/troy oz.

	Close	Previous	High/Low	
Nov	361.0	359.5	0	0
Dec	361.5	360.1	361.5	360.6
Jan	363.0	361.6	0	0
Feb	364.3	362.9	364.3	363.5
Apr	366.8	365.4	367.0	366.0
Jun	369.3	367.9	0	0
Aug	372.0	370.6	0	0
Oct	374.5	373.1	0	0
Dec	377.3	375.9	0	0

PLATINUM 50 troy oz; \$/troy oz.

	Close	Previous	High/Low	
Nov	361.5	362.7	0	0
Jan	364.2	365.4	364.9	362.8
Apr	366.8	368.0	367.0	365.0
Jul	369.6	370.8	370.5	370.5
Oct	375.6	376.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	402.0	402.1	0	0
Dec	402.7	402.7	402.5	401.5
Jan	404.6	404.3	0	0
Mar	408.6	408.7	408.5	407.0
May	412.8	412.7	410.5	410.5
Jul	416.4	416.5	416.5	416.5
Sep	420.5	420.5	0	0
Dec	426.5	426.5	427.0	426.0
Jan	428.6	428.6	0	0
Mar	432.7	432.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	105.60	106.95	106.05	105.50
Dec	105.10	106.25	105.70	104.75
Jan	104.20	105.25	104.50	104.50
Feb	103.65	104.60	103.65	103.65
Mar	103.35	104.05	103.65	103.00
Apr	102.70	103.30	102.80	102.80
May	102.05	102.65	102.20	102.00
Jun	101.60	102.05	101.70	101.70
Jul	101.15	101.55	101.50	101.20
Aug	100.70	101.10	101.00	100.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.28	8.32	8.32	8.18
May	8.28	8.31	8.32	8.21
Jul	8.27	8.33	8.33	8.21
Oct	8.28	8.33	8.31	8.22
Mar	8.20	8.29	8.20	8.20

CRUDE OIL (Light) 42,000 US galls \$/barrel

	Close	Previous	High/Low	
Dec	22.40	22.79	22.87	22.25
Jan	22.25	22.67	22.73	22.15
Feb	22.02	22.41	22.45	21.94
Mar	21.78	22.14	22.18	21.71
Apr	21.54	21.88	21.88	21.59
May	21.34	21.67	21.72	21.32
Jun	21.17	21.49	21.45	21.18
Jul	21.04	21.36	21.24	21.00
Aug	20.93	21.23	21.13	21.01
Sep	20.84	21.13	21.05	20.88

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Dec	6550	6748	6785	6530
Jan	6635	6827	6825	6620
Feb	6530	6667	6670	6500
Mar	6250	6400	6370	6235
Apr	5965	6075	6040	5956
Jun	5685	5725	5700	5680
Jul	5615	5675	5655	5630
Aug	5658	5715	5690	5670
Sep	5768	5825	0	0

COCOA 10 tonnes;\$/tonnes

	Close	Previous	High/Low	
Dec	1201	1208	0	0
Mar	1261	1273	0	0
May	1297	1304	0	0
Jul	1333	1343	0	0
Sep	1359	1368	0	0
Dec	1394	1404	0	0
Mar	1429	1430	0	0
May	1452	1453	0	0
Jul	1472	1473	0	0
Sep	1495	1496	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.60	78.65	0	0
Mar	83.10	82.80	0	0
May	85.75	85.35	0	0
Jul	88.50	87.95	0	0
Sep	91.25	90.60	0	0
Dec	96.00	94.25	0	0
Mar	97.15	97.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	58.30	57.72	0	0
Mar	60.01	59.56	0	0
May	60.73	60.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	172.45	174.90	174.25	172.30
Mar	174.00	176.50	175.25	174.00
May	174.95	176.40	175.75	174.75
Jul	174.75	175.95	175.50	175.00
Sep	173.75	175.00	175.00	174.00
Nov	160.75	163.25	162.75	162.00
Jan	159.90	161.45	0	0
Mar	159.90	161.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.18	Nov.15	mnth ago	yr ago
1616.7	1628.7	1647.3	1730.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.15	Nov.14	mnth ago	yr ago
Spot	114.01	112.98	114.34	122.69
Futures	121.96	121.62	129.32	125.81

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	568/0	554/6	0	0
Jan	568/0	554/4	0	0
Mar	575/4	562/0	0	0
May	582/2	569/6	0	0
Jul	590/4	577/4	0	0
Aug	594/0	578/4	0	0
Sep	580/4	572/4	0	0
Nov	584/2	575/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.08	18.91	19.10	18.78
Jan	19.22	19.04	19.25	18.89
Mar	19.53	19.37	19.54	19.23
May	19.80	19.84	19.80	19.54
Jul	20.07	19.86	20.10	19.81
Aug	20.25	20.00	20.25	20.10
Sep	20.30	20.15	20.30	20.18
Oct	20.30	20.10	20.30	20.30
Dec	20.85	20.50	20.85	20.40

SOYABEAN MEAL 100 tons; \$/ton

	Close	Previous	High/Low	
Dec	181.8	179.2	0	0
Jan	179.9	177.0	0	0
Mar	178.6	175.5	0	0
May	177.8	174.8	0	0
Jul	177.6	175.1	0	0
Aug	177.6	175.2	0	0
Sep	178.0	175.2	0	0
Oct	187.2	184.7	0	0
Dec	188.5	186.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	242/2	239/6	242/4	237/6
Mar	252/6	250/2	253/0	248/0
May	259/0	257/0	259/2	255/0
Jul	263/6	262/6	264/0	260/4
Sep	258/4	257/6	258/0	258/4
Dec	253/0	254/6	256/0	252/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	352/2	350/2	0	0
Mar	355/2	352/4	0	0
May	339/0	339/0	0	0
Jul	320/4	322/4	0	0
Sep	325/4	327/4	0	0
Dec	338/4	337/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.17	75.95	75.70	74.55
Feb	75.25	75.80	75.52	74.40
Apr	75.05	75.45	75.25	74.05
Jun	70.65	70.97	71.00	70.00
Aug	68.65	68.97	69.00	68.00
Oct	69.25	69.60	69.50	69.00
Dec	70.25	70.85	70.75	70.25

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.82	41.57	42.10	40.90
Feb	42.95	42.72	43.12	41.90
Apr	40.85	40.67	40.87	40.00
Jun	45.85	45.72	45.85	45.05
Jul	45.82	45.55	45.90	45.30
Aug	44.52	44.40	44.55	44.00
Oct	41.15	41.02	41.25	41.00
Dec	41.82	41.75	0	41.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.12	39.75	40.75	39.25
Mar	39.85	39.77	40.50	39.10
May	41.35	40.92	41.50	40.05
Jul	42.15	41.80	42.20	41.00
Aug	40.05	40.22	41.25	40.05

3i Group plc 91 Waterloo Rd
London SE1 8XP
Telephone 71 928 3131

3i SA
141 Avenue Charles de Gaulle
92521 Neuilly sur Seine Cedex
Paris France
Telephone 1-47 15 11 00

3i SA
Tour Societe Suisse
1 boulevard Vivier Merle
69443 Lyon Cedex 03 France
Telephone 72 33 16 72

INVESTORS
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3i defines investment capital as permanent and long term capital in the form of share and loan investment in unquoted companies

3i SA
30 Avenue de la Paix
67000 Strasbourg France
Telephone 88 36 16 66

3i Gesellschaft fur
Industriebeteiligungen mbH
Bockenheimer Landstrasse 55
6000 Frankfurt am Main Germany
Telephone 69 710 0000

3i Iberica de Inversiones
Industriales SA
Calle Ruiz de Alarcón
12-1º izda
Madrid 28014 Spain
Telephone 1-521 44 19

3i SpA
Via Gaetano
Negri 8
20123 Milan Italy
Telephone 2-7200 3210

Inter-Risco
Avenida Boavista 1190, 6B
4100 Porto
Portugal
Telephone 2-600 11 68

Gilde Investment Funds
Herculesplein 261A
3584AA Utrecht
Netherlands
Telephone 30 51 05 34

3i Jersey Ltd
Burrard House
Don Street
St Helier Jersey
Telephone 534 38229

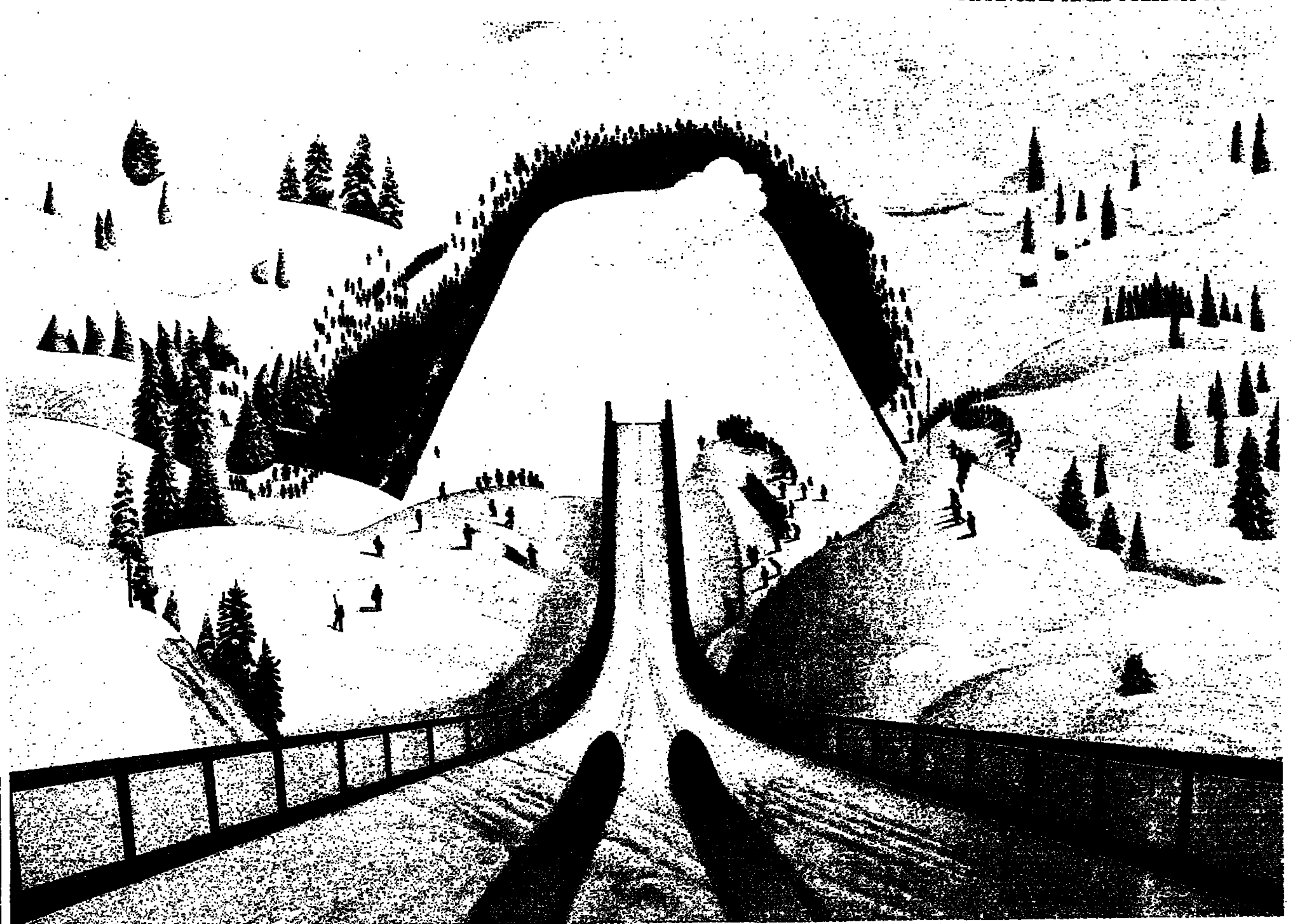
3i Guernsey Ltd
Le Bouillon House
St George's Esplanade
St Peter Port Guernsey
Telephone 481 721688

3i (Isle of Man) Ltd
United House
33-37 Athol Street
Douglas Isle of Man
Telephone 624 72321

3i Capital
99 High Street
Suite 1530 Boston
Massachusetts 02110 USA
Telephone 617-542 8560

BLE Capital Ltd
15th Floor
Endeavour House
50 Pitt Street
Sydney NSW 2000 Australia
Telephone 2 247 8641

3iBJ
8F Akasaka Oji Building
1-22 Akasaka 8-chome
Minato-ku
Tokyo 107 Japan
Telephone 3 3497 5321



HOW DO YOU KNOW YOU CAN DO SOMETHING IF YOU'VE NEVER DONE IT BEFORE?

The simple answer is that you don't. No one who has ever struck out on their own ever has and no one ever will. So, as you stare over the edge of a management buy-out, contemplate starting your own business, or face buying into another company, at 3i we understand if you feel somewhat daunted.

But, though it may be new to you, there are people who have gone before. After over 45 years of successfully investing capital in a wide range of companies, 3i has been involved with a substantial number of those people. And, for the vast majority, success has been achieved through their own determination and skill, combined with 3i's investment resource and business experience.

Our experience gives us a pretty accurate idea of how the business could develop before you even get started. Our financial resources allow us to be both flexible and sympathetic. This combination of a long-term view with our industrial skills enables us to understand and share the risks of the venture with you. 3i's long experience of investing in people like you can offer the best way of ensuring the success of your business. So, before you leap, just contact your local 3i office.

Confidence survives market setback

By Terry Byland, UK Stock Market Editor

LONDON shared in the general reaction on world stock markets to Friday's fall of 120 Dow points on Wall Street, but widespread marking down of leading UK stocks attracted bargain hunters among the big investment institutions. The lowest point of the day came before trading officially opened, when downward price adjustments by the market-makers indicated a fall of about 80 points on the FT-SE scale, or around 3 per cent off share values. By the close of an erratic session, the FT-SE Index had rallied to 2,502.9 for a net loss of 43.7 points, or 1.7 per cent, from Friday's final quotations. Trading volume was not significantly above recent daily averages.

Traders had the weekend to brace themselves for London's opening yesterday morning but they were further dismayed by the fall on the Tokyo stock market, the first global centre to demonstrate the reaction to Wall Street. The UK market was initially marked down by more than other European stock markets but early falls were trimmed when cautious buyers appeared.

Share prices rallied only modestly at first because UK analysts wrong-footed themselves by predicting that Wall Street would open a further 50 Dow points off. When the Dow came in, briefly, 21 points up, London cut its loss from 52 to 89.8 on the Footsie, recapturing the 2,500 mark. But London then followed New York which moved with great volatility to show a gain of 5 Dow points as the UK market closed.

Seaq volume of 502.8m shares, against 428.8m on Friday, confirmed that the institutions had been acting with restraint and that any comparisons with with Black Monday in October 1987 were misplaced.

UK strategists believe that the present shakeout in markets is essentially a problem concerning Wall Street. They claim that the US stock market had become overvalued at around 20 times earnings and that a correction was inevitable. London, on less than 15 times earnings, is regarded as more soundly-based.

The leading UK securities houses were holding firm to their year-end forecasts last night, despite disappointment with the reported 0.5 per cent dip in domestic retail sales last month. Also adding to concern about the UK economy was the latest survey of the distributive trades by the Confederation of British Industries, which said that high street retailing conditions remain "difficult."

Mr Ian Harnett of Strauss Turnbull said that the long-predicted shakeout on Wall Street would benefit the London equity market which would now be recognised as offering "genuine value."

The chief sufferers in London were those stocks most clearly identified with Wall Street. Glaxo, Reuters, Grand Metropolitan all fell heavily.

But the initial losses among domestically-orientated issues, including the consumer stocks which might have proved vulnerable to the retail sales figures, were substantially reduced before the end of the session.

Traders left for home in a cautious but not openly depressed mood. While London is believed to be vulnerable to any further setback on Wall Street overnight, the absence of significant selling yesterday was regarded as a significant encouragement for investment sentiment on this side of the Atlantic.

Account Dealing Dates		
*First Dealings:		
Nov 11	Nov 25	Dec 9
Option Declarations:		
Nov 21	Dec 5	Dec 23
Last Dealings:		
Nov 22	Dec 6	Dec 27
Account Day:		
Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 18	Nov 15	Nov 14	Nov 13	Nov 12	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.83	86.90	86.99	86.92	86.96	80.65	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.49	96.54	96.57	96.56	96.57	88.48	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1914.9	1948.6	1963.3	1956.4	1984.9	1648.0	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	151.9	149.8	149.7	149.4	149.6	156.0	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2502.9	2546.6	2561.6	2548.5	2575.5	2095.9	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1134.49	1161.16	1164.85	1160.29	1165.75	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.11	5.03	4.99	5.00	4.94	5.85				
●Earning Yld %(full)	7.35	7.23	7.17	7.24	7.15	12.22				
●P/E Ratio(Net)(☆)	17.13	17.41	17.56	17.35	17.58	9.91				
SEAQ Bargns 4.45pm	33,983	24,917	25,430	23,972	26,518	22,369				
Equity Turnover(£m)†	-	932.03	984.77	875.28	893.81	699.11				
Equity Bargains†	-	24,497	24,999	23,525	26,446	20,482				
Shares Traded (ml)†	-	364.8	403.5	387.0	431.2	330.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 16.14.

Ordinary Share Index, Hourly changes — Day's High 1918.8 — Day's Low 1901.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1901.2	1913.8	1909.9	1909.9	1912.5	1910.6	1911.1	1917.9	1914.6

FT-SE 100, Hourly changes — Day's High 2506.8 — Day's Low 2483.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.6	2500.1	2496.6	2492.0	2495.8	2493.4	2494.5	2505.0	2501.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1140.47 — Day's Low 1133.93

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1136.62	1136.92	1138.01	1137.91	1136.99	1136.08	1139.08

GILT EDGED ACTIVITY

Indices*	Nov 15	Nov 14
Gilt Edged Bargains	85.0	83.4
5-Day average	87.7	89.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index:
Tel. 0898 123001

Market slide hits BT

BROKERS reported a wave of enquiries about BT, formerly British Telecommunications, as last night's deadline for private investors to register in order to qualify for shareholder incentives loomed.

BT shares tracked the market, being marked down to a low of 354p at the outset before rallying to 359p and ending the session a net 7p, or 1.9 per cent, off at 357p; the Footsie fell 1.7 per cent.

As recently as October 2, BT shares traded at an all-time high of 421½p. Turnover yesterday totalled an unremarkable 5.8m shares.

Dealers and sector analysts were not unduly worried about tumbling international stock markets and pointed out that the retail offer does not close until December 4, by which time a much clearer picture is expected to have emerged in international markets. Trading in the 1.35bn shares being sold by the government is expected to commence on December 9.

Private investors buying the latest tranche of BT shares have to pay a first instalment of 110p a share by December 4, with a second instalment of 120p payable on July 7, 1992 and a third instalment in March 1993.

Glaxo setback

London's heavy falls were led yesterday by dollar influenced stocks in general and Glaxo in particular. Shares in the pharmaceutical group tumbled by 65 points in the morning. However, they were helped later by a firm opening on Wall Street and closed a net 51 down at 794p.

The drop almost wiped out the gains made last week and turnover of 10m shares was the highest for four years. Traders said selling at the opening was replaced by good two-way business at the lower levels.

Share weakness was accentuated by a change of stance from securities house Goldman Sachs, which tends to have a significant influence on US investors, traditionally strong buyers of the shares.

Mr Paul Krikler, Goldman's pharmaceuticals analyst, took Glaxo off his buy list, arguing that over the past 18 months the shares have more than doubled in value and are now trading in line with leading US drug shares. However, the house remains bullish about future trading and has raised its 1992 profits forecast by £25m to £1.45bn, principally because of improved prospects for Zofran, Glaxo's anti-nausea drug.

BAA rebounds

Shares in BAA brushed aside the general collapse in the London market as dealers rushed to fill order books following news of a more favourable pricing formula for the company by its regulator, the Civil Aviation Authority.

The new formula sets BAA prices at inflation minus 8 percentage points for each of the next two years, but with less stringent conditions for the following three years.

Dealers and analysts took the new formula to be a boost for BAA's long term profitability and the backing down of the CAA from its original proposal.

Having followed the market down the shares recovered sharply from an early low of 431p to close at a new peak of 478p, up 22 on the day. Turnover surged to a record 11m.

Explaining yesterday's rise, Mr Bob Bucknell at Smith New Court said: "The CAA had proposed that the company's return on investment be capped at 7 per cent. Now it is free to maximise its profits by dint of its own efforts. This is the classic long term buy."

BAA also reported half-time profits down to £151m from £205m but in line with market expectations. Mr Bucknell predicted full year profits of £210m, but a jump to around £290m the following year.

Stocks with a high profile in New York tended to be among the hardest hit during early trading, although they recovered later. Wellcome, which experienced a phenomenal rise last week on positive results, lost 47 at one stage but rallied to end a net penny up at 898p.

Reuters, already suffering following recent caution from the company, tumbled 40 before closing 29 off at 874p. BAT Industries was down 23 in the morning but ended only 5 down at 632p. ICI dropped 34 before finishing 11 off at 1208p. Hanson lost 3¼ at 200p on heavy turnover of 10m shares.

British Aerospace recovered from an early fall to close just 2 off at 338p after turnover of 1.6m shares. There is speculation that the company will shortly announce that it has won a second stage of the lucrative Al-Yamamah defence contract with Saudi Arabia.

A maintained dividend and an upbeat results statement helped BET to buck the market trend in spite of a drop in first-half profits. The shares ended 6 up at 476p on turnover of 3.4m. Profits fell from £137.2m to £71.5m, at the lower end of analysts' forecasts.

Turnover in bid candidate Hawker Siddeley rose to 6.8m, the shares closing only 4 down at 720p after its predator BTR took advantage of the falls in the London market to acquire stock. BTR, down 3 at 383p, announced after the market closed that it had increased its holding in Hawker to 20.3 per cent.

Continued bid speculation supported Dowty Group, which added 5 at 180p as 1.2m shares changed hands. Press speculation that Vickers may sell part of its Rolls-Royce Motor subsidiary left the shares just 2 easier at 154p.

Worries that the big retreat by Wall Street and London would highlight economic problems for the UK government prompted some determined selling of the utilities sectors.

Oils were broadly easier but tended to outperform the equity market, as worries about curbs on Russian oil exports outweighed the weakness of Wall Street and other international stock markets.

Crude oil prices, bid up late on Friday, were little changed in Europe yesterday. But a number of brokers remained bullish after recent events. The oil team at County NatWest said: "The equity market is too complacent about the coming winter, when for the first time in a decade the world has no spare oil capacity. Talk of an oil embargo against Libya is another source of concern. Cold weather, the USSR's problems, political unrest, the absence of Iraqi oil – almost all risks are positive for oil."

County highlighted the attractions of Shell Transport, 2 off at 504p on heavy turnover of 5.4m. BP, where County sees "short-term upside", dipped 6 to 318p.

Lasmo, currently involved in a battle to win control of Ultramar, receded 5 to 295p in spite of news of an oil discovery in Colombia. One oil specialist said the find was worth around 5p a share to Lasmo.

Merchant bank S.G. Warburg's interim figures – profits up 35 per cent at £89m – were above best expectations of around £80m, but the shares were hit by the general slide in equity markets and settled 10 off at 553p.

Sedgwick slipped 5 to 234p, with dealers describing the nine months' figures – profits were £74m against £78.5m – as "slightly disappointing". Willis Corroon, reporting interims tomorrow, lost 9 to 270p.

Stories that the group may seek to issue shares to fund expansion in its music businesses kept Thorn EMI under pressure ahead of today's interims, predicted to be between £80m and £90m. The shares dipped 6 to 779p. Virgin Music and Chrysalis Group have been mentioned as potential targets.

Publisher Emap slipped 4 to 254p on reduced first-half profits and a statement that highlighted the effect of the economy on advertising.

Television company HTV held up at 50p after an extraordinary meeting at which shareholders approved the company's £20.5m bid for the franchise for Wales and the West of England.

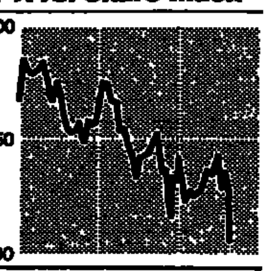
Buying ahead of the dividend continued to benefit survival equipment group Wardle Storeys, which gained 7 on the day at 363p.

Fuel distributor and manufacturer Anglo United saw heavy two-way turnover as securities house Charterhouse Tilney matched an institutional buyer and a seller of 4.8m shares at 32¼p. The stock finished a penny cheaper at 34p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

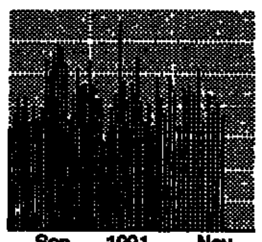
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 27.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (39).
BRITISH FUNDS (16) Tr. 2pc IL 1994, Tr. 2pc IL '96, Tr. 2½pc IL '01, Tr. 2½pc IL '03, Tr. 2pc IL '06, Tr. 2½pc IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, Tr. 2½pc IL '16, Tr. 2½pc IL '20, LOANS (1) N'wide Anglia 3⅞pc Ln. 2021, BUILDINGS (2) Manders, Smart (J), CHEMICALS (1) Wardle Storeys, STORES (3) Body Shop Intl., Liberty, Do. N/V, Martin (A), Shan, ELECTRICALS (2) Hoskyns, Psion, ENGINEERING (1) Victaulic, INDUSTRIALS (2) MITIE, Sinclair (Wm.), MOTORS (1) Evans Halshaw, PAPERS (1) Shandwick, PROPERTY (1) Mountview Estates, TRANSPORT (1) BAA, TRUSTS (1) Murray Split Cap. Zero Prf., MINES (1) Julia.

NEW LOWS (136).
AMERICANS (2) Pennzoil, Tenneco, CANADIANS (2) Gulf Canada, Imperial Oil, BANKS (4) FNFC 8.3pc Prf., Joseph (L), King & Shaxson, Wintrust, BREWERS (2) Eldridge Pope A, Macallan-Glenlivet, BUILDINGS (15) BPB, CALA, Higgs & Hill, Ibstock Johnson wrrnts., Laing (J), Lovell (YJ), McAlpine (A), RMC, Redland, Sheriff, Shorco, Tarmac, Taylor Woodrow, Westbury, Wimpey (G), CHEMICALS (1) Leigh Ints., STORES (6) Clinton Cards, Mallett, Partridge Fine Arts, Ratners 6⅞pc Prf., Storehouse, ELECTRICALS (8) Acorn Computer, Alphameric, BICC, Burnfield, Lec Refrig., Sema, Utd. Scientific, Wharfedale, ELECTRICITY (2) Scottish Hydro-Electric, Scottish Power, ENGINEERING (8) ASW, Aerospace Eng., Brooke Tool, Elliott (B), Rolls-Royce, Simon Eng., Verson Intl., WB Inds., FOODS (8) Albert Fisher, Ashley, Do. 8.25p Prf., Carr's Milling, Greggs, REA, RHM, Usborne, HOTELS (2) Paramount, Principal Hotels, INDUSTRIALS (22) Baris, Bioplan, Brit. Aerospace, Do. 7.75p Prf., Brit. Steel, Clayhithe 9½pc Ln. 2000-1, Gestetner, Hadleigh, Hartons, Isotron, JB Pathology, Linton Park, Nestor-BNA, Nobo, PFG Hodgson Kenyon, Peena, RPS, Stainless Metalcraft, Stonehill, T & N, Tams (J), Whitecroft, INSURANCE (2) GRE, USF & G, LEISURE (6) Allied Radio, Do. 8pc Ln. 2001, Kunick, Pickwick, Thames TV, Wembley, MOTORS (2) Bostrom, European Motor, NEWSPAPERS (2) Gardner (DC), Maxwell Comms., PROPERTY (10) Bourne End, Bradero, Cap. & Counties 6¾pc Prf., Christie Grp., Derwent Valley, Dwyer, Gt. Portland Ests 9½pc 2002, Ossory, Scot. Metropolitan, UK Land, SHOES (2) Future, Stylo, TEXTILES (2) Cupid, Gaskell, TRANSPORT (3) Eurotunnel wrrnts., Lep, P & O wrrnts. 1988-92, TRUSTS (17) Abtrust New Euro wrrnts., Caledonia Invs., Drayton Eng. & Intl. wrrnts., EFM Java, Electra, F & C Enterprise, French Prop., JF Asia Select, Do. wrrnts., JF Indonesia, Japan OTC, Merlin Intl. Green wrrnts., Murray Split Capital Cap., River Plate wrrnts., Sphere, Stratagem, US Smaller Co's., OILS (6) Aran Energy, Crossroads, Globe Pet., LASMO, Midland & Scot. Res., Pict Pet., MINES (5) Kidston Gold, Renison, Sons of Gwalia, Stilfontein, Young.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	22	395	-13	Cookson	3,100	99	+1	Lucas	1,700	120	+½	Severn Trent Water	397	322	-9
ASDA Group	9,500	40	-3	Courtaulds	1,200	469	-2	MB Caradon	1,100	241	-7	Shell Transport	5,400	504	-2
Abbey National	1,900	284	-1	Dalgety	341	364	-4	MEPC	821	453	-7	Siebe	1,600	465	-9
Albert Fisher	497	83	-2	De La Rue	251	454	-4	Manweb	809	296		Slough Ests	989	240	-3
Allied-Lyons	3,200	602	-8	Dixons	2,800	225	-12	Marks & Spencer	9,200	291	-3	Smith (W.H.) A	1,000	473	-6
Amstrad	2,000	33½	-½	ECC Group	449	497	-3	Maxwell Comms.	3,000	60	-4	Smith & Nephew	2,300	132	-4
Anglian Water	1,200	380	-11	Eastern Elect.	1,100	241	-1	Midland Bank	1,800	235	-4	SmKl Beecham	2,600	811	-10
Argos	358	313	-6	East Midland Elect.	1,100	243	-4	Midlands Elect.	836	251	-6	SmKl Beecham Uts.	268	[illegible]	-60
Argyll Group	3,500	288	-11	Enterprise Oil	589	525	-3	NFC	708	222	-5	Smiths Inds.	465	255	-6
Arjo Wiggins	1,100	265	-18	Eurotunnel Units	712	389	-6	NatWest Bank	3,400	314	-3	Southern Elect.	1,800	245	-6
Ass. Brit. Foods	450	429	-28	FKI	1,700	53	+1	National Power	1,800	148	-2	South Wales Elect.	7	303	-8
BAA	11,000	476	+22	Ferranti	838	7¼	-¼	Next	6,500	52	-2½	South West Water	392	322	-9
BAT Inds.	2,300	632	-5	Fisons	2,600	410	-7	North West Water	1,700	382	-11	South West. Elect.	742	245½	-4½
BET	3,400	212	+6	Forte	6,900	267½	-7½	Northern Elect.	216	256	-5	Southern Water	38	318	-8
BICC	1,200	325	-9	Gen. Accident	1,000	474	-9	Northern Foods	282	514	-2	Standard Chartd.	741	385	-9
BOC	2,100	580	-7	General Elect.	6,300	188	-3½	Norweb	1,100	266	-2	Storehouse	1,200	96	-5
BPB Inds.	1,500	155	-2	Glaxo	10,000	794	-51	Pearson	358	757	-3	Sun Alliance	694	324	-5
BTR	3,800	383	-3	Glynwed Int.	287	207	-2	P & O	2,800	480	-10	T&N	672	132	-3
Bank of Scotland	1,500	120		Granada	1,300	194	-4	Pilkington	2,400	141	+1	TI Group	1,300	586	-20
Barclays	3,800	365	-5	Grand Met.	8,500	839	-22	PowerGen	1,200	183½	-2½	TSB	2,500	128	-1½
Bass	875	960	-8	GUS A	217	1383	-10	Prudential	5,800	236	-4	Tarmac	1,500	148	-1
Beazer	38	113		GRE	1,800	149	-5	RHM	2,200	242	-9	Tate & Lyle	2,800	354	-10
Berisford Intl.	335	23	-2	GKN	2,400	315	-5	RMC	733	532	-14	Taylor Woodrow	871	159	-3
Blue Circle	739	236	-6	Guinness	3,700	517	-8	RTZ	2,400	525	-1	Tesco	7,900	221	-5
Booker	86	453	-6	Hammerson 'A'	10	578	-15	Racal	1,800	54	-1	Thames Water	1,200	345	-10
Boots	4,400	436		Hanson	10,000	200	-3¼	Rank Org.	2,100	641	-7	Thorn EMI	1,400	779	-6
Bowater	342	673	-8	Hanson Warrants	1,800	20¼	-1	Reckitt & Colman	2,200	582	-7	Tomkins	1,100	408	-7
Brit. Aerospace	1,600	338	-2	Harrisons Crosfield	787	732		Redland	2,000	493	-14	Trafalgar House	2,000	228	-2
British Airways	5,000	215	-2	Hawker Sidd.	6,800	720	-4	Reed Intl.	884	496	-6	Ultramar	1,300	332	-5
British Gas	10,000	240	-3	Hillsdown	1,600	189	-8	Rentokil	1,000	340	-10	Unigate	350	310	-6
British Land	384	282	-3	IMI	457	228	-3	Reuters	1,800	874	-29	Unilever	2,200	838	-7
BP	6,200	318	-6	ICI	2,300	1208	-11	Rolls Royce	3,600	130	-1	United Biscuits	1,700	377	-4
British Steel	6,000	84	-1½	Inchcape	1,700	385	-3	Rothmans	565	1170	-25	Utd. Newspapers	642	373	-7
British Telecom	5,800	357	-7	Kingfisher	2,600	538	-10	Ryl Bk Scotland	1,000	174	-4	Vodafone	3,800	359	-15
Bunzl	695	88	-3	Ladbroke	4,800	251	-4	Royal Insurance	1,900	283	-3	Wellcome	1,500	898	+1
Burmah Castrol	184	535	-6	Land Securities	954	499	-2	Saatchi	8,800	13½		Welsh Water	423	378	-7
Burton	1,300	44	-1	Laporte	127	583	-6	Sainsbury	4,200	335	-12	Wessex Water	121	387	-9
Cable & Wire.	2,800	565	-6	Legal & General	1,200	385	+1	Scottish & New.	905	389		Whitbread 'A'	1,200	441	-9
Cadburys	4,100	404	-5	Lloyds Abbey	478	394	-3	Scot. Hydro-Elect.	1,400	104	-1	Williams Hldgs.	955	331½	-5
Calor Group	40	247	-1	Lloyds Bank	2,700	394		Scottish Power	5,300	101	-1	Willis Corroon	807	270	-9
Carlton Comms.	475	496	-8	LASMO	934	295	-5	Sears	3,600	86	-1	Wimpey	1,200	151	-2
Coats Viyella	1,800	174	-5	London Elect.	525	242	-4	Sedgwick	388	234	-5	Yorkshire Elect.	1,000	265	-5
Comm. Union	880	478	-1	Lonrho	1,300	228	-5	Seeboard	215	265	-6	Yorkshire Water	148	385	-10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER IN the derivatives market rose as dealers spent most of the session speculating on the likely performance of Wall Street, writes Joel Kibazo.

In Footsie futures, dealers reported a mixture of sporadic buying from speculators and bargain hunters. This was countered by profit-taking and dealers eager to unwind positions in the event of further Wall Street falls.

A squeeze was noted shortly before the firm opening on Wall Street which prompted renewed buying. However, that soon eased as Wall Street began a rapid retreat.

December closed at 2,502, a 20-point premium to the cash market but at its estimated fair value premium, an indication that the market was undecided about its direction. Turnover rose to 12,793 contracts.

Turnover in traded options was also high ahead of tomorrow's expiry of the November stock options, reaching 37,838 by the close.

Footsie options saw brisk turnover of 13,543, confirming uncertainty in the market. Glaxo, one of the hardest hit stocks in the equities market, was the busiest stock option with 2,088 lots dealt. Sears, Asda and BAA, which bucked the market trend in the equities, were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	96[illegible]	Treas. 8pc 1991	99[illegible]xd	.....	8.02	10.12
101[illegible]	100[illegible]	Treas 12¾pc 1992‡‡	100[illegible]	.....	12.71	10.38
100[illegible]	97[illegible]	Treas 10pc 1992	99[illegible]	-[illegible]	10.02	10.33
134[illegible]	125[illegible]	Treas. 2pc IL 1992‡‡	134[illegible]	.....	2.04	8.02
99[illegible]	95[illegible]	Treas. 8pc 1992‡‡	99[illegible]	.....	8.07	10.00
100[illegible]	98[illegible]	Treas 10½pc Cv 1992‡‡	100[illegible]	-[illegible]	10.48	10.14
97[illegible]	91[illegible]	Treas. 3pc 1992	97[illegible]xd	.....	3.08	8.01
102[illegible]	100[illegible]	Exch. 12¼pc '92	101[illegible]	-[illegible]	12.05	9.94
104[illegible]	102[illegible]	Exch 13½pc 1992	102[illegible]	-[illegible]	13.13	9.93
98[illegible]	94	Treas 8¼pc 1993	98[illegible]	-[illegible]	8.39	9.73
100[illegible]	97[illegible]	Treas 10pc 1993‡‡	100[illegible]	-[illegible]	9.96	9.76
104[illegible]	102[illegible]	Treas 12½pc 1993‡‡	104	-[illegible]	12.02	9.83
95[illegible]	89[illegible]	Funding 6pc 1993‡‡	95[illegible]	-[illegible]	6.30	8.88
108[illegible]	105[illegible]	Treas 13¾pc 1993‡‡	107[illegible]xd	-[illegible]	12.84	9.82
97[illegible]	92[illegible]	Treas. 8½pc 1994	97[illegible]	-[illegible]	8.71	9.74
111[illegible]	108[illegible]	Treas 14½pc 1994‡‡	109[illegible]	-[illegible]	13.25	9.80
109	105[illegible]	Exch 13½pc 1994	107[illegible]	-[illegible]	12.52	9.83
101[illegible]	96[illegible]	Treas. 10pc Ln. 1994‡‡	100[illegible]xd	-[illegible]	9.94	9.75
107[illegible]	103[illegible]	Exch. 12½pc 1994	106[illegible]		11.74	9.82
98[illegible]	93[illegible]	Treas 9pc 1994‡‡	98[illegible]	-[illegible]	9.16	9.73
106[illegible]	102[illegible]	Treas 12pc 1995	105[illegible]	-[illegible]	11.34	9.81
89	82[illegible]	Exch 3pc Gas 90-95	89		3.37	6.62
102[illegible]	96[illegible]	Exch. 10¼pc 1995	101[illegible]	-[illegible]	10.10	9.79
110[illegible]	105[illegible]	Treas 12¾pc 1995‡‡	109[illegible]	-[illegible]	11.64	9.83
114[illegible]	109[illegible]	Treas. 14pc '96	113[illegible]	-[illegible]	12.36	10.01
99[illegible]	92[illegible]	Treas. 9pc 1992-96‡‡	98[illegible]	-[illegible]	9.10	9.33
119[illegible]	115[illegible]	Treas 15¼pc 1996‡‡	118[illegible]	-[illegible]	12.86	10.00
112[illegible]	108	Exch 13¼pc 1996‡‡	111[illegible]	-[illegible]	11.85	9.94
		Five to Fifteen Years				
101[illegible]	95[illegible]	Conversion 10pc 1996	101	-[illegible]	9.90	9.76
101[illegible]	97[illegible]	Do. 10pc 1996 B	100[illegible]xd		10.11	9.76
114[illegible]	108[illegible]	Treas 13¼pc 1997‡‡	113[illegible]	-[illegible]	11.72	9.96
103[illegible]	97[illegible]	Exch 10½pc 1997	102[illegible]	-[illegible]	10.22	9.81
96[illegible]	89[illegible]	Treas 8¾pc 1997‡‡	95[illegible]	-[illegible]	9.13	9.71
123[illegible]	117	Exch 15pc 1997	121[illegible]	-[illegible]	12.32	10.07
100[illegible]	93[illegible]	Exch. 9¾pc 1998	99[illegible]	-[illegible]	9.77	9.80
88[illegible]	80[illegible]	Treas 6¾pc 1995-98‡‡	88[illegible]	-[illegible]	7.64	9.21
128[illegible]	121[illegible]	Treas. 15½pc '98‡‡	127[illegible]	-[illegible]	12.18	9.94
111[illegible]	104[illegible]	Exch. 12pc 1998	110[illegible]xd	-[illegible]	10.85	9.89
100[illegible]	92[illegible]	Treas 9½pc 1999‡‡	99[illegible]	-[illegible]	9.56	9.62
113[illegible]	105[illegible]	Exch. 12¼pc 1999	112[illegible]	-[illegible]	10.92	9.89
104[illegible]	97[illegible]	Treas. 10½pc 1999	103[illegible]	-[illegible]	10.11	9.79
103[illegible]	95[illegible]	Conversion 10¼pc 1999	102[illegible]xd	-[illegible]	9.98	9.79
97[illegible]	89[illegible]	Conversion 9pc 2000‡‡	96[illegible]	-[illegible]	9.29	9.58
118[illegible]	110[illegible]	Treas. 13pc 2000	117[illegible]	-[illegible]	11.07	9.96
103[illegible]	94[illegible]	Treas 10pc 2001	101[illegible]	-[illegible]	9.81	9.69
119[illegible]	113[illegible]	Treas. 14pc '98-01	118[illegible]xd	-[illegible]	11.80	10.04
101[illegible]	92[illegible]	Treas 9¾pc 2002	100[illegible]	-[illegible]	9.70	9.68
104[illegible]	94[illegible]	Treas 10pc 2003	102[illegible]	-[illegible]	9.77	9.68

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109[illegible]xd	.....	10.47	9.90
62[illegible]	53[illegible]	Funding 3½pc '99-04	60[illegible]	-[illegible]	5.74	8.64
100[illegible]	90[illegible]	Conversion 9½pc 2004	98[illegible]	-[illegible]	9.62	9.67
60[illegible]	57[illegible]	Cv 9½pc 2004 A (£60pd)	59[illegible]	.....	9.57	9.68
100[illegible]	90[illegible]	Conversion 9½pc 2005	98[illegible]	-[illegible]	9.61	9.66
121[illegible]	111	Treas. 12½pc 2003-05	119[illegible]xd	-[illegible]	10.45	9.72
88[illegible]	79[illegible]	Treas. 8pc 2002-06‡‡	87[illegible]	-[illegible]	9.19	9.65
		Over Fifteen Years				
115[illegible]	105[illegible]	Treas. 11¾pc 2003-07	113[illegible]	-[illegible]	10.34	9.71
93[illegible]	84[illegible]	Treas 8½pc 2007‡‡	91[illegible]	-[illegible]	9.29	9.57
129[illegible]	118[illegible]	Treas. 13½pc '04-08	126[illegible]	-[illegible]	10.64	9.71
96	88[illegible]	Treas. 9pc 2008‡‡	95[illegible]	-[illegible]	9.40	9.51
89[illegible]	80	Treas 8pc 2009	87[illegible]	-[illegible]	9.18	9.52
97[illegible]	88[illegible]	Conv 9pc Ln 2011‡‡	95[illegible]	-[illegible]	9.42	9.50
98[illegible]	91[illegible]	Cnv. 9pc 2011 A	95[illegible]	-[illegible]	9.51	9.55
66	58[illegible]	Treas. 5½pc 2008-12‡‡	64[illegible]	-[illegible]	8.54	9.45
85[illegible]	76[illegible]	Treas. 7¾pc 2012-15‡‡	83[illegible]	-[illegible]	9.27	9.52
125[illegible]	113[illegible]	Exch. 12pc '13-'17	122[illegible]xd	-[illegible]	9.79	9.53
		Undated				
41[illegible]	37[illegible]	Consols 4pc	40[illegible]	.....	9.82	-
37[illegible]	33[illegible]	War Loan 3½pc‡‡	36[illegible]	.....	9.57	-
60[illegible]	57[illegible]	Conv. 3½pc '61 Aft.	59[illegible]	.....	5.84	-
30[illegible]	28[illegible]	Treas. 3pc '66 Aft.	30[illegible]	.....	9.98	-
26[illegible]	23[illegible]	Consols 2½pc	25[illegible]	.....	9.78	-
26[illegible]	23[illegible]	Treas. 2½pc	25[illegible]	.....	9.88	-
		Index-Linked (b)			(1)	(2)
123[illegible]	115[illegible]	Treas. 2pc '94 (102.9)	123[illegible]	+[illegible]	2.23	3.34
177[illegible]	168[illegible]	Do. 2pc '96 (67.9)	177[illegible]	+[illegible]	3.25	3.84
145[illegible]	137[illegible]	Do 2½pc '01 (78.3)	145[illegible]	+[illegible]	3.83	4.15
141[illegible]	133	Do. 2½pc '03 (78.8)	141[illegible]	+[illegible]	3.92	4.20
145[illegible]	135	Do. 2pc '06 (69.5)	143	+[illegible]	4.01	4.24
131	124[illegible]	Do. 2½pc '09 (78.8)	130[illegible]xd	+[illegible]	4.04	4.25
135[illegible]	128[illegible]	Do. 2½pc '11 (74.6)	135[illegible]	+[illegible]	4.05	4.24
111[illegible]	105[illegible]	Do. 2½pc '13 (89.2)	111[illegible]	+[illegible]	4.06	4.23
118[illegible]	113[illegible]	Do. 2½pc '16 (81.6)	118[illegible]	+[illegible]	4.06	4.22
113[illegible]	109[illegible]	Do. 2½pc '20 (83.0)	113[illegible]xd	+[illegible]	4.07	4.21
95[illegible]	91[illegible]	Do. 2½pc '24‡‡ (97.7)	94[illegible]	+[illegible]	4.05	4.19

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1991: 131.4 and for October 1991: 135.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107[illegible]	95[illegible]	African Dv Bk 11¼ Ln 2010	105[illegible]	-[illegible]	10.49	10.37
102[illegible]	91[illegible]	Asian Dev Bk 10¼pcLn2009	100[illegible]	+[illegible]	10.15	10.12
116[illegible]	105[illegible]	Int-Am Dev Bk 12½pc 2003	114[illegible]	-[illegible]	10.91	10.25
97[illegible]	86[illegible]	Do. 9¼pc Ln 2015	96[illegible]	+[illegible]	10.15	10.19
125	101[illegible]	Utd. Mexican States 16½pc 2008	124[illegible]	.....	13.25	12.89

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	103¼	.....	11.14	11.10
98[illegible]	93½	GLC 6¾pc 1990-92	98[illegible]	.....	6.82	9.90
119[illegible]	110[illegible]	Leeds 13½pc 2006	117	-¼	11.54	11.15
31	28	Liverpool 3½pc Irred.	30¼	.....	11.57	-
27½	26	LCC 3pc '20 Aft.	27¼	.....	11.01	-
105½	97½	Manchester 11½pc 2007	103½	-¼	11.11	11.03

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
97½	84½	Sth Rhod. 87-92 Assd.	97½	.....	4.62	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106¼	102	N'wide Anglia 3¾pc Ln 2021	106¾	+¼	-	5.38
107¼	104	Do. 4.25pcIL '24	107¼	.....	-	5.06

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52½	.....	5.71	10.02

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
133[illegible]	120[illegible]	Hydro Quebec 15pc 2011	131[illegible]	-[illegible]	15.0	11.03

Continued on next page

APPOINTMENTS

Bitter pill for Stoll

BOC, the UK industrial group, yesterday appointed a new head for its troubled health-care division. Roger Stoll takes over as president and chief executive at BOC Health Care after the resignation of Desmond O'Connell in September 1990.

Stoll faces formidable problems at the division which BOC eventually hopes to float on the market. Last year, the business posted poor results, with operating profits falling 15 per cent to £79.5m.

Glasrock, its US home health care equipment business, performed particularly badly, slipping into the red. The company was forced to spend £19.6m rationalising operations.

The subsidiary had been hit by cost-containment measures in the US public health sector. BOC complained that doing business with the US government, its principal customer, was increasingly frustrating.

Stoll, who has a PhD in biopharmaceutics, was executive vice-president of the Diagnostic business group at Miles, a US subsidiary of Bayer, the German group. He will be based at Murray Hill, New Jersey.

Wellcome for Japan

WELLCOME, the UK pharmaceutical group, has demonstrated the importance it attaches to the Japanese market by creating a new post: director licensing Japan.

Stuart Wren will be responsible for licensing Wellcome's products to Japanese companies, as well as identifying Japanese products which Wellcome could sell in Europe and the US.

"We are planning to take a much more active role in licensing products in Japan," explains John Robb, Wellcome's chief executive. "For the first time this year, sales in Japan exceeded £100m. But nothing was sold through licences. We believe we have compounds Japanese companies would be very interested in selling."

Wren was previously based in the UK as Wellcome's group licensing manager. He will work for Nippon Wellcome KK – a joint venture between Wellcome and Sumitomo – based in Osaka.

Limited role

ASDA, the Leeds-based grocery chain, announced yesterday that Geoffrey Carr, the 39-year-old business development director, would leave the company next February.

"Given the group's current priorities the role for an expansionist development director was fairly limited," an Asda spokesman explains.

Asda recently staged a successful £357m rights issue to reduce its burden of borrowings and is now concentrating on upgrading its existing store portfolio rather than expanding the chain.

Archie Norman, Kingfisher's finance director who has agreed to become Asda's chief executive, is likely to join the company "sooner rather than later" Asda said yesterday.

Biter bit

■ Derek Wheatley, a QC who was well-known in the City as chief legal adviser to Lloyds Bank, has become a banking consultant to Watson Farley & Williams, the City solicitors.

He has obviously managed to stretch a point with the Bar Council – on whose professional conduct committee Wheatley has himself served.

The Bar, fighting to preserve the rigid distinction between barristers and solicitors, is distinctly wary of barristers – let alone QCs – taking up any position where they might be advising the public directly.

So Wheatley, whose return to advocacy at the beginning of 1990 after 15 years at Lloyds was, he says, "not a wild success", will be acting purely in a consulting role; he will use his familiarity with banking law to help Watson Farley & Williams in areas they would not otherwise be likely to cover.

Movements in finance

■ BANKERS TRUST INTERNATIONAL announces the appointment of Nigel Seperia as md of its commodity derivatives group.

■ Pete Talbott is appointed president and ceo of ACUMA, an American Express subsidiary.

■ Robin Walker-Arnott is appointed a director of WILLIAMS DE BROE; he moves from Kleinwort Benson.

■ Andre Brand is appointed a director of HAMBROS BANK responsible for Benelux.

■ Norman McLeod, Graham McNeil and David Wileman have been appointed directors of SECCOMBE MARSHALL & CAMPION AGENCY BROKERS.

■ Simon Whitney-Long, formerly with the Union Discount Company of London, is appointed a director of the BANK RELATIONSHIP CONSULTANCY.

■ David Rosier is appointed chairman of MERCURY FUND MANAGERS in succession to James Dawnay.

■ Jeremy Gilbert is moving from Smith New Court to become director, corporate finance of CREDITO ITALIANO INTERNATIONAL.

■ Franco Lanza is appointed London representative of BANCO AMBROSIANA VENETO; Gigliola Zecchi is appointed head of its international division.

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'w	Y'ld Gr's
34½	20¾	Abbott Laboratories	34½	-½	$1.00	-	1.6
395p	218p	Allegheny & W 1c	226p	.....	30c	-	7.5
10¼	667p	Amdahl 5c	758p	-80	10c	-	0.7
42¼	25¼	Amer. Cyanamid $5	32½	-2¼	$1.50	-	2.6
17⅝	9[illegible]	Amer Express 60c	10[illegible]	-⅛	$1.00	-	5.2
24½	15¼	American T & T. $1	21¼	-⅛	$1.32	-	3.5
38⅞	32½	Ameritech $1	33⅞	-1¼	$3.40	-	5.6
26[illegible]	12[illegible]	BankAmerica $1[illegible]	20[illegible]	-[illegible]	$1.20	-	3.3
38[illegible]	20[illegible]	Bankers N.Y. $1	36½	-1[illegible]	$1.52	-	7.6
30½	24¼	Bell Atlantic $1	25½	-1	$2.52	-	5.6
31¼	25	BellSouth Corp	26[illegible]	-1[illegible]	$2.76	-	5.9
11¼	6[illegible]	Bethlehem Steel $8	7[illegible]	-[illegible]	40c	-	3.1
1839p	1046p	Bowater Inc	1162p	-43	$1.20	-	5.8
54[illegible]	37[illegible]	CPC Intnl. 25c	46[illegible]	-1¼	$2.00	-	2.4
930p	420p	California Eng.	912p	...	-	-	-
50	28¼	Campbell Soup 15c	43	-2¼	$1.16	-	1.5
12¼	5[illegible]	Chase Manhattan $12½	9¼	-⅛	$1.20	-	7.3
9[illegible]	5½	Chrysler $6¼	7¼	-[illegible]	60c	-	4.6
10⅝	5⅞	Citicorp $1	6[illegible]	-[illegible]	-	-	-
26⅝	21[illegible]	Colgate-Palmolive $1	23½	-⅝	$1.06	-	2.5
928p	438p	Cont'l Bank Corp $4	550p	-14	60c	-	6.1
21⅝	13[illegible]	Dana Corp $1	14[illegible]	-[illegible]	$1.60	-	6.0
1262p	203p	Data General	828p	-67	-	-	-
25⅝	12⅝	Dial Corp $1.5	23[illegible]	-1⅛	$1.40	-	3.3
29⅝	20⅛	Dun & Bradstreet $1	27[illegible]	-1[illegible]	$2.16	-	4.5
40	24¼	Eaton Corpn. 50c	34	+⅛	$2.20	-	3.6
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
246	140	Anglia TV	179	–3	9.26	2.4	6.9	8.2
31	14	Avesco 1p	24	–1	1.5	1.1	8.3	14.8
9	2½	♦BCE Hldgs 5p	5	.....	–	–	–	–
178	123	Barr & W.A.T. 'A'	159	–2	9.75	1.7	8.2	9.8
840	425	Boosey & Hawkes	[illegible]	–10	†16.4	2.9	2.7	15.0
87	24	♦Border T.V.	63	–2	2.1	2.6	4.4	11.4
88	4½	Brent Walker 10p	19½	.....	5.0	–	–	–
28	2½	Do 6pc Cr Cn Rd Pf £1	7	.....	–	–	–	–
55	13	Buckingham Int'L 10p	21	–2	‡2.1	1.8	‡	4.9
389	189	Campari Int. 20p	388	.....	†11.0	2.9	3.8	10.6
231	134	Capital Radio 2½p	190	–2	5.25	2.9	3.7	12.5
548	350	Carlton Comms 5p	498	–8	†14.1	2.4	3.8	13.9
89	61	Do. 6.5p Prf 5p	61	–1	6.5	–	10.7	–
259	168	♦Castle Comms. 5p	211	–3	8.5	2.1	5.4	12.1
1098	480	Central ITV	1075	–10	28.5	1.2	3.5	31.4
164	120	Chiltern Radio 10p	160	–2	♦4.8	2.6	4.0	12.3
104	39	Chrysalis	88	–2	♦‡2.0	–	‡	–
69	20	Cityvision 5p	26½	–½	1.0	7.0	5.0	3.5
6	2	Classic Th'tres Int0.20	2½	–½	–	–	–	–
308	225	Eurocamp 5p	291	–7	R8.5	2.5	3.9	14.0
1410	908	Euro Disney Fr10	1310	–30	–	–	–	–
30	5	European Leisure	12	.....	0.7	2.2	7.9	6.6
•44	21½	Ex Lands 10p	28	–1	–	–	–	–
47	8	♦Expedier 20p	9	.....	‡1.0	–	‡	–
593	405	Fairline Boats 10p	518	–2	21.0	4.1	5.4	6.0
291	188	First Leisure	288	–3	†5.05	2.6	2.3	19.9
265	199	♦GWR Group 20p	263	–1	♦6.0	3.2	‡	13.8
107½	59	Grampian TVA 10p	99	–1	4.1	3.1	5.5	7.7
8	4	♦Greenwich Comm. 1p	5	.....	–	–	–	–
63	33	HTV Ord	50	.....	3.75	1.2	10.0	11.5
203	55	Hi-Tec Sports	198	.....	†5.0	2.7	3.4	12.9
4¼	1½	Int'l Media Comm. 1p	3	.....	–	–	–	–
64	30	Int'l. Resort Hldgs	42	.....	2.5	3.8	8.1	4.3
92	49	Javelin Sound 10p	89	.....	1.0	4.2	1.5	28.0
•47	19	Kunick 10p	19	–1	2.0	2.2	14.0	4.5
88	53	Do. 8¼pc Pf. 5p	58	.....	8.25	–	19.0	–
214	80	LWT Hldgs 1985p Pf 5p	213	+1	♦5.25	2.7	3.3	15.2
335	262	Manchester Utd 10p	274	–7	–	–	–	♦
353	155	Marina Dev. 50p	162	–3	5.0	0.5	4.1	–
184	124	♦Metro Radio Grp 5p	183	.....	5.0	3.0	3.6	12.3
102	79	Midlands Radio 10p	79	–1	‡4.5	1.0	‡	17.7

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS – Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC – Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES – Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	117.0	117.0	124 1	-0 1	9 27
High Inc Equity	6	128 5	131.4xd	140 0	-2.3	6.07
Worldwide Bond	6	210.3	210.3xd	222.8	-0.8	6 73
Capital Growth						
American Growth	6	193 1	193 1	206 3	-4.8	1 08
Asian Pacific	6	117 1	119 5	127 1	-4 0	1 24
Assets & Earnings	6	177 5	181.1xd	192 6	-2.9	3.12
Capital Reserve Acc	0	110 2	110 2	110.2	..	6 89
Capital Reserve Inc	0	87 12	87 12	87 12	-0 01	6 89
Commodity & Energy	6	73 94	73 94	78 65	-0 32	1 73
1992 Enterprise	6	64 74	64 74	69 24	-1.08	2 98
Euro Capital Acc	6	85.99	85.99	91 54	-1.21	1 14
Euro Capital Inc	6	81 77	81 77	87 45	-1 17	1 14
General	6	171 3	171.3	183 2	-3.2	2.73
Japan	6	93 97	95 04xd	101 1	-3 4	-
Mastertrust	6	88 87	88.87	95 04	-1 77	2 69
UK Growth Acc	6	171.4	178.7	190 1	-2 9	2.10
UK Growth Dist	6	108 9	113 6xd	120 8	-1 8	2.14
US Emerging Cos	6	71.83	72 96	77 61	-4 52	-
Income & Growth	6	295 1	295 1xd	315 6	-5.2	4 44
Ethical	6	53 57	54 94	58 44	-0 61	2.67
International	6	60 92	61.72	65 65	-1.45	1 34
Dividend & Growth	6	48 09	49 26	52 40	-0.87	5 73
Global Gwth & Sec	6	52.53	52.79	56.15	-0.27	3.10

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	1121.0	1121.0	1178 0		0

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	28 18	28 18xd	29 88	-1.38	2.66
Cash	0	50 81	50 81	50 81	+0 03	10.15

[illegible]

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	5	68 52	68.58	73.20	-1 17	5.65
Acumen Reserve	3	66 20	66.20	68 18	...	9 70
American Income	5	126 56	126 60	133 60	-4 80	3.57
Equity Income	5	80 45	80.45	85.65	-1.71	5 86
European	5	52.77	52 77	56.24	-0.46	1 14
Far Eastern	5	105 35	105 40	112 40	-2 90	0 93
Smaller Cos	5	47 70	47 70xd	50.90	-0.81	3 16
Olympiad	5¼	45 45	45 45	48.31	-1.39	0.68
Olympiad Income	5¼	42.22	42 22xd	44 97	-1.29	5.61
UK Growth	5	74.33	74 82	79 86	-0 99	1.55

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Chartered Equitor (1200)F

Standard Life Tst Mngmt Ltd (0629)F

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General – Contd.

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	105.4	111.0	-	-
Pension Managed Fd	104.3	109.8	-	-
Life Deposit Fd	110.7	116.5	-	-
Pension Deposit Fd	117.4	123.6	-	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	169.9	178.9	-	-
UK Equity	180.2	189.7	-	-
Overseas Equity	135.8	143.0	-	-
Fixed Interest	155.8	164.0	-	-
Property	133.8	140.9	-	-
Index Linked	152.4	160.5	-	-
Deposit	163.6	172.3	-	-
With Profits (B)	134.0	141.1	-	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	348.5	366.9	-7.3	-
UK Equity	439.2	462.4	-9.2	-
Overseas Eq	332.3	349.8	-10.1	-
Americas	279.3	294.0	-13.3	-
Far East	356.9	375.7	-10.6	-
Property	194.2	204.5	+0.1	-
Fixed Int	272.3	286.7	-1.0	-
Indexed Gilt	162.3	170.9	+0.3	-
Deposit	187.7	197.6	+0.1	-
With Profit	104.9	110.4	+0.1	-
Pension Fund (Accum Units)				
Managed	503.3	529.8	-9.8	-
UK Equity	595.3	626.7	-12.1	-
Overseas Eq	562.0	591.6	-17.1	-
Americas	351.0	369.5	-14.8	-
Far East	580.7	611.3	-22.0	-
Property	247.7	260.8	-	-
Fixed Int	339.5	357.4	-0.3	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	222.4	234.7	-5.3	-
UK Fixed Int Acc	187.1	197.4	+0.1	-
Intl Equities Acc	171.3	180.8	-4.6	-
UK Managed Acc	172.3	181.7	-3.1	-
Property Acc	225.7	238.1	-	-
Money Acc	133.6	141.0	+0.1	-
Special Market Acc	145.6	153.6	-3.7	-
Japan Equity Acc	96.4	101.7	-4.4	-
North American Acc	98.4	103.8	-3.0	-
Pacific Acc	91.9	97.0	-2.5	-
Technology Acc	118.1	124.6	-4.7	-
Nat Resources Acc	53.6	56.6	+0.3	-
European Acc	98.4	103.8	-3.3	-
Residential Prop Acc	94.8	100.0	-	-
Swiss Equities Acc	32.8	34.7	-0.7	-
Hong Kong Acc	68.2	72.0	-1.8	-
UK High Inc Eq Acc	71.6	75.6	-1.7	-
Int Fixed Interest Acc	57.8	61.1	-1.4	-
Int Managed Acc	55.8	58.8	-1.1	-
HIP Managed Acc	115.5	121.8	-1.7	-
HIP Managed II Acc	100.4	105.9	-1.8	-
HIP Managed III Acc	108.3	114.2	-2.0	-
Total Investment Bond				
UK Equity Initial		150.9	-3.4	-
UK Fixed Int Initial		127.1	+0.1	-
Intl Equities Initial		115.5	-3.0	-
UK Managed Initial		117.0	-2.1	-
Property Initial		154.4	-	-
Money Initial		92.1	-	-
Special Market Initial		112.8	-2.6	-
Japan Equity Initial		74.7	-3.2	-
North American Initial		76.2	-3.7	-
Pacific Initial		71.2	-1.8	-
Technology Initial		91.4	-3.4	-
Nat Resources Initial		41.5	+0.2	-
European Initial		87.9	-2.9	-
Residential Prop Init		90.2	-0.1	-
Swiss Equities Initial		31.3	-0.7	-
Hong Kong Initial		65.0	-1.6	-
UK High Inc Eq Init		68.2	-1.5	-
Int Fixed Interest Init		57.7	-1.3	-
Int Managed Init		54.0	-1.0	-
HIP Managed Init		111.9	-1.6	-

Equitable Life (International)
0481 716021

Independent Financial Group PLC
Windsor Ct, Clarence Dr, Harrogate 0423 523311

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Funds				
IFG Int Bal Port	97.6			-
APM Managed (Stone)	174.2	183.3	-0.3	-
APM B.I. & Growth	110.0	116.9		-
APM Bond Fund (Target)	104.8	110.4		-
APM Univ Bd (S & P)	49.5	52.4		-
Pensions Managed Funds				
APM Exclusive Pen (Std)	156.8	165.1		-
APM Magd Pen (Std/L)	652.9	687.2	-1.1	-
APM Magd Pen (Target)	80.4	86.9		-

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710461
Lazard Select Investment Trust Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Active	½	£10.12	10.12	10.32		2.00
UK Active	¼	£11.15	11.15	11.41		5.00
UK Liquid Assets	½	£10.00	10.00	10.05		10.08
UK Index	½	£11.70	11.70	12.19		4.3
US Index	½	£13.44	13.44	13.93		2.8
Japan Index	½	£7.164	7.164	7.372		0.2
Europe Index	½	£11.36	11.36	11.78		3.2

Lion World Fixed Income Fund
Albert Hse, 5th Esplanade, St Peter Port 0481 713996

[illegible]

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$17.36	18.23	-0.45	1.05
Japan Tech	$59.46	62.44	-1.09	-
Japan Fund	$24.92	26.17	-0.39	0.17
Japan New Gerts Fd	$19 23	20.20	-0.35	-
Malay Sing	$53.11	55 77	-1.88	0.31
Nth American	$21.85	22 95	-0.90	0.58
Octopus Fund	$21.93	23 03	-0.44	0 88
Pacific Fd	$63 19	66.35	-1.35	-
International Bond	$17.84	18.74	-0.02	6.89
Europa Fund	$13.70	14.39	-0.13	-
British Screen Fd	£0.93	0.98	-	-
Tristar Warrant	$11.23	11.80	-0.32	-
Hong Kong	$52.75	55.39	-0.86	3 09
Magd Portfolio (Stlg)	£4 19	4.51	-	-
Magd Portfolio (Dlr)	$10.44	11.02	-0 13	-
Currency Fd-Sterling		£19.66	---	-
Currency Fd-US Dollar		$15.44	---	-
Curr Fd-Deutschemark		DM40.82	+0.01	-
Curr Fd-Managed $	$45.55	47.82	-0 10	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*		$1.00	----	4.86
Investment Series*		$1.00	----	4.86

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	[illegible]	0.5887	0.6269	[illegible]	1.32
ADI Mgd Currency(z)	5	[illegible]	0.4042	0.4263	[illegible]	5.37
ADI W'wide Eq(z)	5	[illegible]	0.6572	0.6999	[illegible]	1.1
ADI Nth Amer Gth(z)	5	[illegible]	0.7647	0.8144	[illegible]	0.01
ADI Far East (z)	5	$1.096	1.096	1.167	[illegible]	1.14
ADI Gilt & Income(z)	5	[illegible]	0.2548	0.2686	[illegible]	8.49
ADI UK Cap Gth (z)	5	[illegible]	0.2258	0.2404	[illegible]	3.37
ADI Europe Fd (z)	5	[illegible]	1.123	1.196	-0.02	1.44

For conversion Prices of Shares Phone: 0624 662860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Asset Global Funds Ltd (1200)						
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097						
French Equity	5	[illegible]	136.44	146.3	-0.1	-
UK Gilt	5	[illegible]	10.294	10.80	-0.02	-
Intl Equity	5	[illegible]	13.567	14.49	-0.44	-
US Bond	5	[illegible]	9.851	10 39	+0.02	-
Gilt Accum	5	[illegible]	.9886	1.0380	----	0
ECU Bond	5	[illegible]	1.0002	1.0531	[illegible]	-
Sterling Cash Acc	5	[illegible]	.9844	1.0336	[illegible]	-

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls to eight-month low

THE dollar fell to its lowest against the D-Mark in eight months as the repercussions of Friday's stock market slide took hold. Wall Street's early rally brought only a brief respite to the US currency, which ended in London 3.1 pfennigs down at DM1.6070.

Mr Michael Feeney of Sumitomo Bank commented: "I expect the dollar to consolidate at these low levels. It seems to have bounced off support at DM1.60." In New York the dollar recovered to DM1.6115.

The D-Mark seemed to win all round yesterday, growing visibly stronger against the yen and the pound.

The German currency broke above its August and September highs against the yen, closing at the day's peak of Y80.56. Dealers said there was a general feeling that rates were falling in Japan and rising in Germany.

Comments made late on Friday by Bundesbank President Mr Helmut Schlesinger, that 2 per cent inflation remained the central bank's medium-term goal as opposed to the current 4 per cent, convinced the D-Mark bulls yesterday.

"The market seems bent on some sort of rise in German interest rates," said one dealer at a leading investment house. "The Bundesbank meeting on Thursday will be watched much more closely than it otherwise would have been."

Sterling came under pressure, sliding through the DM2.8850 level to DM2.8775, as sentiment on German and UK rates began to firm. Disappointing UK retail sales figures and the dollar's decline were held largely responsible for the pound's weakness.

The big surprise of the day came from France. It raised its intervention level to 9.25 per cent from 8.75 per cent, and boosted the five to 10-day lending rates, to "ensure stability in unsettled markets".

The French move was widely regarded as a precursor to some sort of action from the German authorities. France cut its rates just three weeks ago to German levels. Yesterday's action was an admission that the cut had been unsustainable, said economists.

Dealers were sceptical about the long-term benefits of raising rates to support the currency within the EMS. The French franc, which had been sitting at the bottom of the EMS grid last week, moved up two notches to end the day above the Danish kroner and sterling. However, after the announcement, the franc bounced between the grid's penultimate two positions.

By the end of the day the franc was 3.4183 per D-Mark, slightly above Friday's close of FFr3.4193.

The D-Mark moved ahead within the EMS grid, rising from third to second position – 2.52 per cent above the weakest currency, sterling.

The lira slid to 9 per cent of its allowed swing below the central Ecu rate from 3 per cent above on Friday.

Criticism from the International Monetary Fund over slow deficit-cutting reforms seemed to weaken the Italian currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.883	-3.55	5.21	61
Belgian Franc	42.4032	42.0611	-0.81	2.29	42
D-Mark	2.05586	2.04131	-0.71	2.19	50
Dutch Guilder	2.31643	2.30040	-0.69	2.17	37
Irish Punt	0.767417	0.764433	-0.39	1.86	21
Italian Lira	1538.24	1542.01	0.25	1.22	-9
Danish Krone	7.84195	7.93369	1.17	0.29	-50
French Franc	6.89509	6.97463	1.18	0.28	-61
Sterling	0.696904	0.707128	1.47	0.00	-29

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.18	Close	Previous Close
£ Spot	1.7891-1.7896	1.7845-1.7855
1 month	0.85-0.83pm	0.82-0.80pm
3 months	2.44-2.41pm	2.34-2.31pm
12 months	8.60-8.50pm	8.20-8.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

S.Af (Cm)	4.9835 - 4.9950	2.7790 - 2.7820
S.Af (Fn)	5.3465 - 5.4270	2.9760 - 3.0210
Taiwan	46.90 - 47.05	26.10 - 26.20
U.A.E.	6.5610 - 6.6415	3.6715 - 3.6735

*Official rate. Floating rate £-2471.0 $-1392.0

POUND SPOT - FORWARD AGAINST THE POUND

Nov 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7900 - 1.8025	1.7900 - 1.7910	0.84-0.82cpm	5.56	2.43-2.40pm	5.40
Canada	2.0205 - 2.0290	2.0220 - 2.0230	0.49-0.42cpm	2.70	1.53-1.41pm	2.91
Netherlands	3.2375 - 3.2570	3.2375 - 3.2475	[illegible]	0.93	[illegible]	0.77
Belgium	59.25 - 59.60	59.25 - 59.35	8-3cpm	1.11	17-12pm	0.98
Denmark	11.1775 - 11.2365	11.1775 - 11.1875	[illegible]	1.01	[illegible]	0.94

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

Nov 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
D-Mark	9⅛ - 9	9⅛ - 9	9⅛ - 9	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅝ - 9½
Italian Lira	12 - 10	[illegible]	[illegible]	[illegible]	[illegible]	11⅝ - 11½
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	6 - 5⅞	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	4⅛ - 4	4⅛ - 4	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.791	2.878	231.8	9.835	2.555	3.243	2175.	2.023	59.30	1.412
$	0.558	1	1.607	129.4	5.491	1.427	1.811	1214	1.130	33.11	0.788
DM	0.347	0.622	1	80.54	3.417	0.888	1.127	755.7	0.703	20.60	0.491
YEN	4.314	7.726	12.42	1000.	42.43	11.02	13.99	9383	8.727	255.8	6.091
F Fr.	1.017	1.821	2.926	235.7	10.	2.598	3.297	2211	2.057	60.29	1.436
S Fr.	0.391	0.701	1.126	90.72	3.849	1	1.269	851.3	0.792	23.21	0.553
N Fl.	0.308	0.552	0.887	71.48	3.033	0.788	1	670.7	0.624	18.29	0.435
Lira	0.460	0.823	1.323	106.6	4.522	1.175	1.491	1000.	0.930	27.26	0.649
C $	0.494	0.885	1.423	114.6	4.862	1.263	1.603	1075	1	29.31	0.698
B Fr.	1.686	3.020	4.853	390.9	16.59	4.309	5.469	3668	3.411	100	2.381
Ecu	0.708	1.268	2.038	164.2	6.965	1.809	2.297	1540	1.433	42.00	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.95	92.05	91.90	91.99
Mar	92.33	92.44	92.27	92.35
Jun	92.57	92.65	92.53	92.57
Sep	92.70	92.76	92.65	92.69

Estimated volume 6630 (5039)
Previous day's open int. 25449 (25465)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev
Dec	2522.0	2532.0	2505.0	2562.0
Mar	2558.0	2559.0	2549.5	2598.5
Jun	2588.5			2628.5

Estimated volume 12829 (6208)
Previous day's open int. 0 (35364)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1090.0			1115.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 0 (309)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.7905	1.7822	1.7663	1.7451	1.7060

ECU BOND (MATIF)

December	106.46	106.08	-0.28	106.50	105.90	9.01	3,546
March	-	106.12	-0.28	-	-	9.00	201

Estimated volume 2,472 Total Open Interest 3,747

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.02	0.32	-
106	-	1.62	-	0.08	0.58	-
107	0.30	1.02	-	0.31	0.94	-
108	0.03	0.57	-	1.09	-	-
Open Int	90,956	99,931	4,603	87,217	53,798	9,776

Estimated volume 47,446 Total Open Interest 346,051

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

Short sterling falls

THE SURPRISE move from Paris, when the Bank of France raised both its intervention and five to 10-day lending rates, put pressure on the short sterling contract, which fell four basis points to 89.64.

The decline only served to confirm the view of those who have recently discounted a cut in UK interest rates before next year. "The market will have this assumption for some time to come," said Mr David Cocker of Chemical Bank.

Three months money, which closely shadows UK bank base rates, strengthened considerably by about ⅛ of a point to 10¾-⅝ per cent. One month interbank money was also slightly firmer, up from 10½-⅜ per cent to 10⅝-½.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The speculation now seems to be focusing on the pressure on UK authorities to raise interest rates as sterling languishes at the bottom of the EMS grid. However, yesterday's retail sales figures for October – which had been expected to show a slight increase, but instead revealed a 0.5 per cent decline – and an upcoming general election make such a move highly unlikely. "There is still a lot of grief on the high street," commented one dealer.

The Bank of England forecast a liquidity shortage of £1.45bn, largely due to maturing Treasury bills. In early trading the bank took £650m worth of bills at 10⅜ per cent. By late trading the bank had injected a total of £1.2bn, with less than half taken at 10⅜ per cent, leaving a shortfall of some £250m.

"That shortfall meant that overnight rates could only go up," said a dealer from a leading discount house. Overnight rates stood at 10⅜-½ per cent last night, after hitting a high of 13 per cent during the day.

In Germany, call rates were virtually unchanged from Friday's levels at about 9.00/9.10 per cent. Liquidity levels were sufficient, although some traders expected them to fall early this week as November tax payments were made. Dealers said they expected an abrupt fall in liquidity today ahead of Wednesday's public holiday.

The weak dollar put pressure on US money markets. Traders said there were rumours of a reduction in the Federal Funds rate sometime in the near future. Yesterday, Fed Funds traded at 4⅞ per cent – just above the 4¾ target – when the Federal Reserve injected $1.5bn liquidity through customer repurchase agreements.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 18) 3 months US dollars		6 months US Dollars	
bid 4⅞	offer 5⅛	bid 4⅞	offer 5⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LEGAL NOTICES

BABCOCK PREBON PLC
JOINT ADMINISTRATIVE RECEIVERS APPOINTED 7 SEPTEMBER 1991

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act, 1986, that a meeting of the creditors of the above named company will be held at The Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on 2 December 1991 at 11.30 am for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ("the creditors committee") to exercise the function conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor at the offices of the Joint Administrative Receivers, I D B Bond and C J Hughes no later than 12 noon on Friday 29 November 1991

NOTICE IS HEREBY GIVEN, that creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

C J Hughes
Joint Administrative Receiver

Dated 15 November 1991

COERCIVE LIMITED

Registered number: 2069462
Former company name(s). Coercive (Motors) Limited
Nature of business: Electric motor manufacturers and designers
Trade classification: 07
Date of appointment of administrative receiver(s). 1 November 1991
Name of person appointing the administrative receiver(s): Lloyds Bank Plc, 18 Week Street, Maidstone, Kent
N J Vooght and J M Iredale
Joint Administrative Receivers
(Office holder nos 6339 and 2104)

Cork Gully
Orchard House
10 Albion Place
Maidstone Kent ME14 5DZ.

IN THE MATTER OF GALAHA CEYLON TEA ESTATES COMPANY LIMITED
and
IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 6th day of December 1991, to send in their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned

John Colin Mannin Bishop
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ.

the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 5th day of November 1991
J.C.M. Bishop, Liquidator

N.B. This Notice is purely formal. All known Creditors have been, or will be, paid in full

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
[illegible] LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 28th November 1991 at 12 noon for the purposes provided for in Section 99 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 48 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 14th November 1991
P. W. Mott, Director

ART GALLERIES

MARLBOROUGH 6 Albemarle Street, London W1 RAYMOND MASON 25 October – 23 November 1991 Mon-Fri 10-5.30 Sat 10-12.30 Tel: 071-629 5161

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

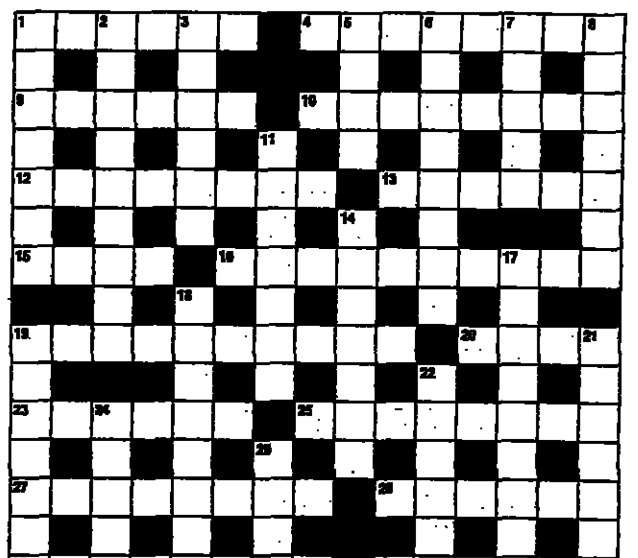
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,702 Set by DANTE



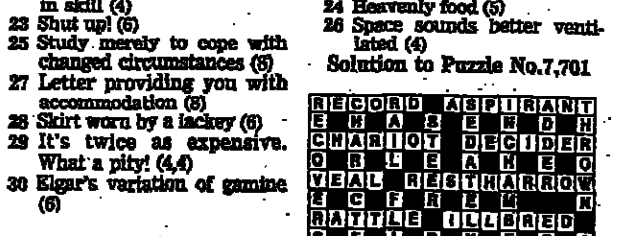
ACROSS

1 Where the Germans outgun me (6)
4 For this, proverbially, we have no information (4,4)
9 Discharge an account and leave (6)
10 Sycophant's aspirate misplaced (8)
12 Celebrate about rise given to recruits (8)
13 Sort of spirit produced by Noel? (6)
15 The girl I object about (4)
16 Silly rhymes, whether one likes it or not (5-5)
19 Shows put on for the pupil's benefit (10)
20 Backward island not lacking in skill (4)
23 Shut up! (6)
25 Study merely to cope with changed circumstances (8)
27 Letter providing you with accommodation (8)
28 Skirt worn by a lackey (6)
29 It's twice as expensive. What a pity! (4,4)
30 Elgar's variation of gamine (6)

DOWN

1 Club money that is short (7)
2 Extremely fine and dandy (9)
3 In a bad way (6)
5 Certainly nothing to chatter about (4)
6 Reason for not telephoning the closing date? (8)
7 Order cathead to be immersed in the rising tide (5)
8 It makes a dramatic setting for action (7)
11 Remove all traces (7)
14 Coach or supporter (7)
17 I rub along, somehow, working hard (9)
18 Surprised to find the first part was first (8)
19 Hurried to see about complaint when upset (7)
21 Points to raise in a Republic (7)
22 A fresh drain on the only English pope (6)
24 Heavenly food (5)
26 Space sounds better ventilated (4)

Solution to Puzzle No.7,701



WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

GERMANY — [illegible]

ITALY — [illegible]

NETHERLANDS — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

AUSTRALIA — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

JAPAN — [illegible]

CANADA

TORONTO

4:00 pm prices November 18

[illegible]

MONTREAL

4:00 pm prices November 18

[illegible]

Total Sales 11,261,600 shares

INDICES

NEW YORK

DOW JONES	Nov 18	Nov 15	Nov 14	Nov 13	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2972.72	2943.20	3063.51	3065.30	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.73	97.71	97.84	97.69	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1224.59	1225.52	1282.51	1275.78	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.14	215.95	220.02	220.02	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2990.61 (3069.54) Low 2923.30 (2936.05)

STANDARD AND POOR'S	Nov 18	Nov 15	Nov 14	Nov 13	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	385.24	382.62	397.15	397.41	397.41 (13/11)	311.49 (9/1)	396.74 (12/11/91)	4.40 (1/6/32)
Industrials	454.27	450.59	468.03	468.36	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.20	31.10	32.53	32.54	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.03	211.98	219.22	219.37	219.37 (13/11)	170.97 (9/1)	219.00 (12/11/91)	4.46 (25/4/42)
Amex Mkt. Value	379.47	380.91	391.69	391.81	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	534.73	531.29	554.84	556.17	556.17 (13/11)	355.75 (14/1)	565.68 (12/11/91)	54.87 (31/10/72)

	Nov 15	Nov 8	Nov 1	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.05	3.03	4.01

	Nov 13	Nov 6	Oct 30	year ago (approx.)
S & P Industrial div. yield	2.67	2.72	2.71	3.39
S & P Indl. P/E ratio	22.04	21.19	21.37	15.47

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Glaxo	6,895,500	30⅜	+ 1¼
AT & T	3,159,200	37	- ⅞
Philip Morris	3,037,000	69	+ ½
Telefonos	2,855,800	43½	- ⅞
RJR Nabisco	2,519,000	9⅞	- ⅛
Gen Motors	2,331,500	32	+ ½
Limited	2,329,300	25⅞	+ ¼
Wal-Mart	2,152,800	48⅛	+ ⅞
Home Depot	2,035,800	60	+ 2¼
Gen Elec	2,004,900	68⅞	+ 1¼

TRADING ACTIVITY

† Volume Millions	Nov 18	Nov 15	Nov 14
New York SE	238.170	236.000	199.980
Amex	17.261	21.201	15.391
NASDAQ	(u)	255.475	220.533
NYSE			
Issues Traded	2,164	2,150	2,155
Rises	727	302	794
Falls	952	1,484	838
Unchanged	485	364	523
New Highs	21	77	151
New Lows	55	40	19

CANADA

TORONTO	Nov 18	Nov 15	Nov 14	Nov 13	1991 HIGH	1991 LOW
Metals & Minerals	2982.22	2999.24	3028.17	3108.57	3299.99 (18/7)	2632.06 (9/1)
Composite	3550.76	3535.48	3575.84	3596.92	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1865.08	1855.00	1877.49	1900.76	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 18	Nov 16	Nov 14	Nov 13	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1646.5	1676.9	1670.5	1669.0	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	641.8	651.8	650.4	652.4	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	410.92	416.31	415.95	418.32	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1100.47	1108.92	1108.62	1107.92	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	363.42	367.62	366.94	366.64	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	865.1	860.8	810.3	813.6	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	493.13	503.51	497.05	497.68	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1808.27	1863.20	1868.53	1846.79	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	658.98	668.16	663.94	665.28	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1860.7	1886.6	1874.6	1877.5	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1611.93	1629.37	1620.96	1623.23	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4198.21	4271.34	4211.32	4240.28	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1408.38	1427.30	1426.25	1420.73	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	511.16	516.35	516.35	515.19	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23480.12	24099.18	24176.54	24416.23	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1770.65	1812.17	1822.66	1837.61	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2672.52	2727.40	2750.59	2774.62	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	528.60	545.74	553.21	555.85	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	278.5	284.7	284.6	283.7	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	195.6	199.9	199.9	199.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	660.75	665.31	694.18	697.78	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1099.65	1132.27	1136.47	1118.65	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	388.98	400.20	403.18	403.69	422.43 (26/4)	315.87 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1096.0	1069.0	1080.0	1092.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4204.0	4333.0	4332.0	4364.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	663.75	667.84	673.35	675.85	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	246.09	249.77	249.53	252.85	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	952.0	974.0	988.6	1000.2	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	755.2	767.4	769.3	768.3	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	614.7	625.6	626.0	624.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4420.69	4511.36	4491.52	4469.73	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	653.46	671.45	670.92	682.66	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	512.5*	516.5	525.8	527.1	529.2 (17/4)	439.1 (16/1)

**Saturday November 16: Taiwan Weighted Price: 4442.46; Korea Comp Ex. 665.65.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, 18 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	12.0	612	+22	Hitachi	3.1	980	-8
Nippon Steel	4.2	373	-5	Okamoto	2.9	920	-10
Japan Storage	4.0	1,160	-40	Honshu Paper	2.8	870	-43
Meiji Milk	3.9	1,110	-20	NKK	2.8	349	-11
Toyo Tire	3.8	900	-20	Clarion	2.5	1,380	-50

Price data supplied by Telekurs.

4:00 pm prices November 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.7	17	781	13½	12⅞	12⅞	-⅛
22⅞	14½	A L Labs A	0.16	0.7	34	967	22⅛	21⅛	22	+⅛
55⅛	40⅞	AMP Inc	1.44	2.8	89	1009	52⅛	51⅞	51⅞	-⅛
68⅝	44¼	AMR			118	957	60¼	58⅞	59⅛	-1
2⅜	1	ARX			7	177	1⅛	1⅛	1⅛	-⅛
56	41½	ASA x	3.00	6.2	14	969	48⅛	47	48⅛	+⅞
61⅛	39¼	Abbott Lab	1.00	1.7	23	7282	59¼	57	58¾	+1½
14⅝	9⅞	Abitibi Pr	0.50	3.7	24	19	13⅝	13½	13½	-⅛
11⅞	10⅝	ACM Gvt In x	1.26	11.3		640	11⅛	10⅞	11⅛	+⅛
9⅛	8⅞	ACM GvOpp x	1.01	10.6		295	9⅝	9½	9⅝	
9½	8¼	ACM Gvt Sp x	1.01	10.9		360	9¼	9⅛	9¼	+⅛
11	9⅞	ACM Gvt Sc	1.28	12.0		374	10⅝	10½	10½	
9	7⅝	ACM Man x	1.01	11.7		333	8⅝	8½	8⅝	
12⅞	11½	ACM Managd x	1.35	10.7		418	u12⅞	12⅝	12⅝	-⅛
7½	4⅞	Acme Cleve	0.40	6.7	16	72	6⅛	6	6	-⅛
6	3⅞	Acme Elect			43	39	4⅛	4⅛	4⅛	+⅛
40	22¾	Acuson			83	3146	34⅞	33	34⅞	-⅞
20⅞	14¼	Adams Expr x	5.08	25.1		14682	u20¼	20	20¼	+¼
20⅛	17½	Adobe12PT	2.40	12.6		61	19	18⅞	19	
9¼	6⅝	Adobe Res			46	234	7	6⅞	7	
38⅛	18	Ad Micro				111	37¼	36⅛	37	
14¼	4⅞	Ad Micro P	3.00	23.1	99	2474	13	12⅞	13	+½
5⅛	2⅛	Advest Grp	0.16	3.8	6	206	4⅛	4⅛	4⅛	
49½	31⅞	Aetna Ll	2.76	7.2	36	5293	38⅝	37⅝	38¼	-⅛
10⅝	6⅝	Ahl A x	0.24	3.0	53	1788	8⅛	7⅞	8	+⅛
20⅞	12	Ahmanson x	0.88	5.7	9	1088	15⅝	15⅛	15½	-¼
18⅛	2⅞	Aileen Inc			17	421	17⅛	15⅞	17⅛	+⅛
74⅛	51⅞	Air Pr Chm	1.56	2.3	18	1038	68	66⅞	67½	-1
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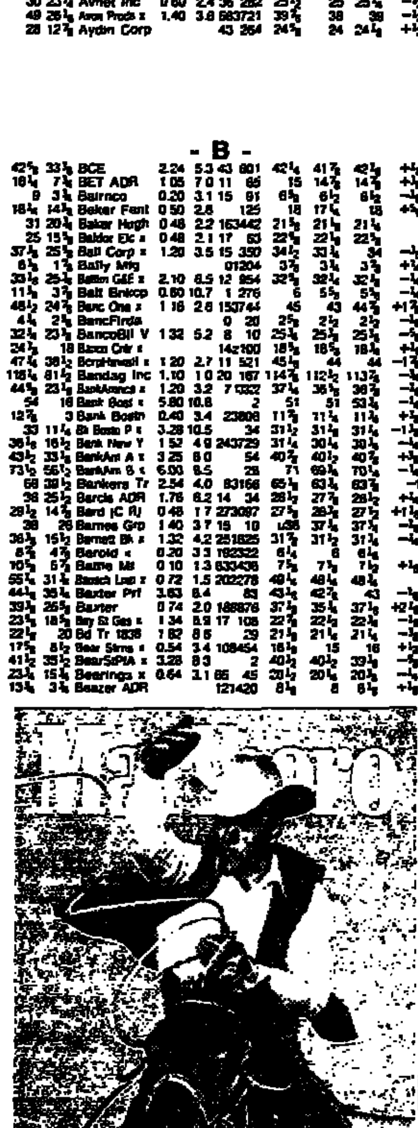

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	7½	Royce Val				350	10¼	10⅛	10⅛	-⅛
63¾	37	Rubbermaid x	0.34	0.6	62	1076	61¼	60	61	-¼
17⅞	13½	Ruddick	0.24	1.5	13	376	16⅞	16¼	16¼	-⅛
18¼	13	RussBerrie	0.60	3.5	13	51	16⅝	16⅜	16½	
7⅛	⅝	Russ Togs	0.20	20.0	0	630	1⅛	1	1	-⅛
30⅛	19¼	Russell Cp	0.32	1.2	22	207	27¼	26⅝	27⅛	-¼
21⅝	14	Ryder Syst x	0.60	3.3	26	2025	18¼	17⅝	18¼	
25¼	13¾	Ryland Grp	0.60	2.6	44	116	22⅛	21⅝	21⅝	-⅛

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1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	20⅛	S Anita Rr	2.08	9.0	18	37	23¼	23	23¼	
16½	11½	SCOR US Cp	0.24	1.5	34	78	15⅞	15¼	15⅝	-⅛
37	20⅞	SPS Techno	1.28	5.4	11	101	24⅛	23½	23¾	-½
2⅛	⅝	Saatchi&S	0.19	25.3	0	694	¾	⅝	¾	
13⅛	11	Sabine Rt x	1.33	10.1	7	111	u13⅛	12⅞	13⅛	+¼
11⅛	5⅞	Safecard	0.15	1.5	61	184	10	9½	10	
16¾	6⅝	Safeg'd Sc			53	144	14⅝	14⅛	14½	-⅛
37	25	SafetyKln x	0.32	1.1	26	1754	29½	28	29	+¼
21⅝	11⅞	Safeway			133	411	17⅞	17½	17⅞	-⅛
4⅞	2⅛	SafewayW98				209	3⅞	3¾	3⅞	
35⅞	26⅞	StJoePaper	0.20	0.6	28	182	32⅛	32	32	-⅛
34⅛	26⅛	StJoeL&P	1.66	5.3	12	51	31⅞	31	31⅜	+⅜
74¼	57	St Paul's x	2.60	3.9		660	67¼	66½	66⅝	-⅛
4¼	1½	Salant Crp			0	31	3	2½	3	+½
69¾	49⅝	Sallie Mae	0.80	1.4	16	9086	68⅛	56½	57	-1⅝
14¼	10⅜	Salomon Br x	4.04	28.6		1339	14	13⅝	14	+⅜
37	20¾	Salomoninc	0.64	2.3		66624	28⅛	27½	28	
45⅞	37⅛	SanDgo G&E	2.80	6.4	47	522	43⅝	43¼	43½	
4⅞	2⅞	SantaFeEDu	0.60	16.0	62	63	3½	3	3⅛	
16⅝	10⅞	SantaFeERs	0.16	1.4	27	1231	11⅞	11⅝	11¾	+⅛
35¼	25	SantaFePac	2.80	8.2	10	164	34	33½	34	-⅛
12¼	5⅛	SantaFeSth x				1693667	11⅝	10¾	11⅝	+⅝

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1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
29¾	14⅛	Xtra Corp x	0.72	2.6	92	122	28⅛	27⅝	27⅝	-⅜
27⅞	21¾	Yankee Egy	1.60	5.9	12	66	27	26⅝	27	
1½	⅛	Zapata			1	173	⅝	d⅛	⅛	-⅛
9⅞	5¼	ZenithElec			2	657	6⅞	6½	6⅝	-¼
18½	12	Zenith Nat	1.00	6.3	29	37	16⅛	15⅞	15⅞	-¼
6⅝	4½	Zenix Inc x	0.84	13.7		90	6⅛	6⅛	6⅛	-⅛
15⅛	10⅞	Zero Corp x	0.40	3.4	15	44	12	11⅞	11⅞	
41⅝	29½	Zurn Ind x	0.86	2.6	14	314	34⅝	34¼	34½	-⅛
13½	10¼	Zweig Fund	1.16	9.2		287	12⅜	12⅝	12⅝	-⅛
10½	8½	Zweig Totl x	0.96	9.2		521	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
OMI Corp	0.14	25	604	9	8½	8¾	-⅛
Pall Corp	0.44	26	1252	37⅛	35⅛	36⅝	-¾
Pegasus G		104	486	11½	11¼	11½	
Perini		141	15	9⅞	9¾	9⅞	
Pet H&P	0.31	73	29	u11⅛	11⅛	11⅛	+⅛
Phil LD	0.17	11	1382	27¼	26⅝	27⅛	+¾
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NASDAQ NATIONAL MARKET

4:00 pm prices November 18

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Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	2959	25	23½	24⅞	+¼
XL Data		32	280	11	10	10⅞	+⅛
Xoma Corp		45	7863	19	17	19	+1⅞
Yellow Fr	0.94	95	1405	29⅝	28½	28¾	-1⅛
York Rsch		64	654	8	7¼	7¾	-¼
ZionsUtah	1.44	9	74	45¾	44¾	45	-½

AMERICA

Dow shows its resilience in heavy trading

Wall Street

US STOCK markets put on a display of resilience yesterday in the wake of the previous session's precipitous plunge, with turnover remaining at a very high level, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average, which lost 120 points on Friday, regained 29.52 at 2,972.72. The more broadly based Standard & Poor's 500 picked up 0.47 to 383.09, while the Nasdaq composite of over-the-counter stocks rebounded from early weakness to end 3.44 ahead on the day at 534.73. However, the American Stock Exchange's composite index finished 1.44 lower at 379.47.

Volume on the New York Stock Exchange amounted to 240m shares. Declining shares outpaced advances by 967 to 707, an indication that the bias in the market was still on the sell side, in spite of the gains in blue chip issues.

The market opened nervously, but enough buyers had lined up at the start to buy what they believed to be over-sold stocks, and leading indices all spent the first hour in positive territory.

Indications that the Senate legislation to force banks to lower their credit card interest rates would not pass either the House of Representatives or escape a presidential veto helped to calm the market's nerves. Fears of caps on credit card rates had helped to trigger Friday's plunge.

In the first hour the Dow improved more than 20 points. Prices soon retreated, however, as sellers moved back into the market, and for half-an-hour stocks were lower across the board. Subsequent demand was strong enough to bring the market back from its lows, and by mid-afternoon steady buying pushed shares higher.

Among leading market stocks, which were generally well bid as fund managers moved into blue chips for safety, IBM rallied $1 to $97¼ in active trading, General Electric added $1¼ at $68⅝, Philip Morris $½ at $69, Coca-Cola $2⅝ at $67¼ and Exxon $1 at $58¼.

K Mart, the discount retailer, edged ahead $⅜ to $41⅞ after reporting third-quarter net profits of $109.5m, up only modestly from $105.9m. In the same sector, Toys 'R' Us climbed $1⅝ to $28⅝ on turnover of 1.3m shares after reporting a mild improvement in quarterly earnings to 11 cents a share, a figure in line with market expectations.

Upjohn rose $⅞ to $42¼ on news that it was repackaging and relabelling its Halcion sleeping pill product in the wake of discussions with the Food and Drug Administration.

On the over-the-counter market, most biotechnology shares held up well in the wake of Friday's dramatic sell-off. Amgen put on $3 to $55, Xoma rose $1⅜ to $19, Centocor added $2 at $46⅜ and Immunex advanced $3⅜ to $51⅝.

Even those that ran into renewed selling yesterday morning ended firmer, with Immune Response closing $2⅛ up at $37¼ and MedImmune $4½ ahead at $43.

Canada

THE Toronto market shook off worries of a sharp sell-off yesterday and ended on a mixed note, with blue chips recovering more than a third of Friday's losses.

The composite index retrieved 15.3 to 3,550.8, after dropping 40 points in the previous session. Rises trailed declines, however, by 273 to 338. Volume shrank to 23.1m shares from Friday's 33m.

Onex Corp, up C$1 at C$13, said its board has approved a C$3.50 extraordinary dividend for its subordinate voting shares.

SOUTH AFRICA

JOHANNESBURG was partly protected from the global fall by the gold sector which rose on stronger bullion prices. The all-gold index rose 27 to 1,096 but a 129-point drop in industrials to 4,204 pushed the all-share index down 71 to 3,464.

EUROPE

Bourses limit losses but Paris weakens after rate rise

INVESTMENT strategists took up the cudgels for Europe yesterday, following Friday's slide on Wall Street, *writes Our Markets Staff.*

Morgan Stanley increased cash in its global portfolio, reduced its US equity weightings and transferred resources to Europe, with particular emphasis on Germany, France and, to a lesser extent, Scandinavia and Italy.

James Capel said that France, despite yesterday's interest rate rise, was attractive on a price/cash flow basis, with the CAC 40 price ratio still 50 per cent below its recent historic high. However, Morgan Stanley said that Germany was on a prospective 1991 price/cash flow ratio of 5.3, compared with 6.8 for France, 8.8 for the UK and 8.6 for the US.

PARIS had already fallen 2 per cent lower when it was hit by an unexpected rise in interest rates, just one month after the Bank of France had lowered them. The central bank said the rise was intended to support the franc which had weakened within the ERM but analysts did not accept this explanation, especially since France's inflation was heading lower.

The CAC 40 index fell 54.93 to 1,808.27 as turnover swelled to FFr3.5bn from Friday's FFr2.6bn. But dealers said that trading was dominated by market-makers and arbitrageurs.

The oil sector was particularly weak, catching up with the fall in Total and Elf ADRs in New York late on Friday. Elf fell FFr17.80 to FFr417 while Total dropped FFr55 to FFr1,045.

FRANKFURT moved from about 1.8 per cent lower in the early stages to 1.1 per cent down at the official close, the DAX index ending 17.44 down at 1,611.93 after a 9.18 fall to 658.98 in the FAZ at midsession. Volume rose from DM5.2bn to DM6.4bn.

Thereafter, it reflected a measure of the volatility of the Dow in early New York trading, but underlying sentiment was firm. Despite some criticism of the budget deal fixed last Friday, which ignored the cabinet decision that state subsidies had to be cut by DM10bn this year, the Bundesbank's average bond yield fell another basis point to 8.50 per cent. Nevertheless, of the 30 shares in the DAX only RWE, the utility, rose on the day, ending DM1.80 higher at DM399.80 after an optimistic analysts meeting 10 days ago.

MILAN was saved from disorderly trading by the Consob which announced a ban on short-selling. Prices started about 1.6 per cent lower but recovered on bargain-hunting in favourites such as telecoms and banks. The Comit index fell 5.19 to 511.16 in turnover estimated at not more than L100bn after L85bn.

The Ferruzzi group bucked the trend, with Ferruzzi Finanziaria rising L17 to L1,805 while its agro-industrial and chemical subsidiary Montedison rose L10 to L1,239 in the wake of last week's restructuring news.

STOCKHOLM fell in nervous trading ahead of this week's third-quarter results from Asea, Sandvik and Volvo. The Affärsvärlden General index fell 22 to 962.0 in turnover of SKr318m after SKr451m on Friday.

Electrolux free B shares fell SKr8 to SKr226, while Volvo free B-shares also closed SKr8 to SKr345. Ericsson, which fell heavily last week, saw its free B shares close SKr3 lower at SKr112.

ZURICH registered an above-average decline, perhaps reflecting the thought that, like the Netherlands, it has a high proportion of dollar earners. The Crédit Suisse index closed 9.6 lower at 483.2, recovering from a 3 per cent fall at midday.

AMSTERDAM partially recovered from an early plunge of 3.8 per cent in trading dominated by professionals. The CBS Tendency lost 2.0 to 90.6. The truck maker DAF was one of the worst performers, closing at the day's low of Fl 21.60, down Fl 2.10 or or 8.9 per cent.

HELSINKI saw forestry stocks higher in reaction to last week's devaluation, the Hex index rising 4.3 to 865.1 in active trade.

OSLO's all-share index fell 17.57 to 422.10 in trading worth NKr311.4m. The bank index was down 1.42 to 29.65 as Den norske Bank plunged 22 per cent, or NKr3 to NKr10.5.

ISTANBUL ignored the global slide and continued to rise after last week's 15.5 per cent gain, on reports that two potential coalition partners have agreed on a new economic programme. The 75-share market index closed at 3,378.79, up 240.86, as turnover rose to TL304.1bn from TL279.7bn.

FT-SE Eurotrack 100 - Nov 18

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1084.39	1085.40	1087.29	1087.54	1087.37	1085.09	1089.09	1084.16

Day's High 1089.34 Day's Low 1082.62

Nov 15	Nov 14	Nov 13	Nov 12	Nov 11
1109.27	1109.78	1104.90	1106.72	1100.31

Base value 1000 (26/10/90)

EUROPEAN STOCK MARKETS – CHANGES ON DAY

Market	Change %	Market	Change %
Norway	−4.0	Germany	−1.1
France	−3.0	Greece	−1.1
Sweden	−2.3	Italy	−1.1
Netherlands	−2.2	Portugal	−1.0
Switzerland	−1.9	Belgium	−0.8
Spain	−1.6	Finland	+9.5
Austria	−1.4	Turkey	+7.7
Denmark	−1.1		

ASIA PACIFIC

Investors keep their heads despite 2.9% drop in Nikkei

Tokyo

FRIDAY'S 4 per cent drop on Wall Street made its impact on Tokyo yesterday, and the Nikkei average fell 699.06, or 2.9 per cent, to 23,400.12, below the psychological support level of 24,000 for the first time since October 14, *writes Emiko Terazono in Tokyo.*

The Nikkei opened at the day's high of 24,010.91 and fell on small-lot selling. Volume remained depressed at 280m shares, as arbitrage unwinding pushed the index down to the day's low of 23,309.95 in the afternoon.

Analysts said there was no panic selling by investors and that fund managers chose to "sit it out and wait for New York before doing anything".

All 36 sectors on the first section retreated, declines overwhelming advances by 1,030 to 41, with 43 issues unchanged. The Topix index of all first section stocks plummeted 41.52 to 1,770.65 but, in London later, the ISE/Nikkei 50 index gained 6.37 to 1,335.56.

Traders said they did not see a "flight to quality". Mr Graham Biggart at Schroder Securities added: "Investors did not make a switch in their portfolios from stocks to bonds, a feature of previous tumbles in the stock market." The yield on the 129 10-year benchmark bond eased slightly to 5.840 per cent from Friday's 5.865.

Most participants believe there will be support for equities around the Nikkei 23,000 mark. James Capel predicts the closest support line will be at 23,200. One floor trader said buying orders by foreign investors at the 22,800 to 23,000 level acted as a support.

International blue chips reflected the Wall Street plunge, and worries over the US economy. Many issues saw lows for the year, with Fujitsu down Y12 to Y855 and Sony losing Y40 to Y4,750.

Construction shares lost ground, with earnings prospects depressed by interest burdens and the weak real estate market. Obayashi dropped Y58 to Y898 and Sato Kogyo Y70 to Y1,380.

In Osaka, the OSE average weakened 618.64 to 25,390.59, below 26,000 for the first time since September 25. Volume remained subdued, totalling 16.2m shares. Nintendo, the video game maker, slipped Y200 to Y12,300 on worries over weakness in the US economy.

ASIA PACIFIC MARKETS – CHANGES ON DAY

Market	Change %	Market	Change %
Malaysia	−3.1	Taiwan	*−2.0
Singapore	−3.0	Australia	−1.8
Japan	−2.9	Hong Kong	−1.7
Philippines	−2.9	South Korea	*−0.6
New Zealand	−2.7	India	−0.4
Thailand	−2.7	Pakistan	+7.5
Indonesia	−2.1		

* Including declines in Saturday trading

Roundup

WHILE share prices in the region offered a fairly measured response to the slide on Wall Street, there were big variations in trading volume.

KUALA LUMPUR and SINGAPORE registered the two biggest declines, and share volume more than doubled in both cases, to 68.3m and 125.3m respectively.

The KLSE composite index ended near its low for the day at 528.60, down 17.14, while the Straits Times Industrial Index closed 44.36 lower at 1,420.17 but above the day's worst of 1,411.40.

Blue chips were generally hit just as hard as less established issues on both exchanges.

The senior markets in the region offered a conservative reaction with below-average declines. AUSTRALIA's All Ordinaries index ended 30.4 down at 1,646.5 in business described as calm and thin, although turnover rose from A$221m to A$284m. HONG KONG finished well above its early low, the Hang Seng index losing 73.13 at 4,198.21 after an initial fall of nearly 120 points. Here, however, turnover swelled from HK$2.04bn to HK$2.51bn.

MANILA was led lower by the oil sector as the composite index slid 32.62 to 1,099.65. Volume on the country's twin exchanges halved to 1.44bn shares as, after an early fall, half-hearted bargain hunting in the final hour brought prices off the day's lows.

NEW ZEALAND bounced off its early lows but still showed a broad decline. The NZSE-40 index was down 41.62 at 1,484.86 after touching 1,480.41. Turnover shrank to NZ$16.7m from NZ$46.9m, indicating that there was no panic selling.

BANGKOK was shaken by the growing threat of political tension in the light of this week's scheduled protests against a pro-military draft constitution. *The SET index* retreated 31.32 or 4.7 per cent on opening but bounced back on bargain-hunting to end a net 17.99 off at 653.46

JAKARTA fell 5.24 to 243.64 in volume of 6.62m shares, compared to Friday's 7.16m.

TAIWAN and SEOUL were both open on Saturday, so yesterday's response was subdued, Taiwan's weighted index falling another 21.77 to 4,420.69 and Seoul's composite by a mere 1.90 to 663.75 – although this extended its correction into a seventh consecutive day. Turnover was described respectively as dull, and moderate.

BOMBAY was undermined by higher carry-forward charges for business done in the three weeks ending Friday and by rumours that the government might devalue the rupee by 14 per cent. The BSE index dipped 8.37 to 1,871.32.

KARACHI climbed 7.5 per cent, the Stock Exchange index closing with a record gain of 198 points at 2,822.

Finland and Sweden under examination

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	-0.26	-0.24	-5.86	-5.90	-6.13	-13.96
Belgium	+0.45	+0.88	+7.67	+10.76	+10.82	+1.58
Denmark	-0.29	+1.58	+15.45	+23.51	+22.31	+12.11
Finland	+2.69	+2.31	-2.64	-2.75	-12.31	-19.61
France	+0.62	+0.93	+18.35	+22.26	+21.17	+11.07
Germany	+1.45	+4.48	+8.45	+10.81	+10.35	+1.14
Ireland	+1.38	-0.69	+18.74	+19.29	+19.46	+9.49
Italy	+2.50	-1.36	-0.82	-0.68	-1.01	-9.26
Netherlands	+0.70	+1.66	+22.34	+20.67	+20.33	+10.29
Norway	-4.63	-7.54	-9.13	-3.00	-3.22	-11.30
Spain	-3.02	-5.52	+10.00	+13.98	+15.30	+5.68
Sweden	-4.79	-6.21	+13.13	+16.43	+19.18	+9.24
Switzerland	+0.89	+1.74	+24.54	+26.33	+21.03	+10.94
UK	-0.70	-2.05	+23.79	+18.81	+18.81	+8.90
EUROPE	0.00	-0.38	+17.21	+16.53	+16.02	+6.34
Australia	-1.30	+2.81	+25.80	+31.76	+46.45	+34.25
Hong Kong	+0.57	+6.34	+43.41	+43.63	+57.52	+44.37
Japan	-1.92	-4.25	+7.69	+5.50	+20.19	+10.15
Malaysia	+2.17	+6.94	+9.73	+0.11	+7.64	-1.34
New Zealand	-1.89	+5.42	+10.55	+18.11	+23.16	+12.85
Singapore	-1.45	+7.83	+31.67	+28.21	+43.10	+31.16
Canada	-0.60	+1.12	+10.27	+6.04	+18.76	+8.86
USA	-2.40	-2.24	+21.78	+16.77	+27.40	+16.77
Mexico	+6.47	+6.98	+164.97	+149.12	+162.20	+140.33
South Africa	+0.23	+4.24	+37.96	+30.38	+59.46	+46.15
WORLD INDEX	-1.53	-2.06	+16.32	+13.62	+22.90	+12.84

† Based on November 15th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By Antonia Sharpe

SCANDINAVIA was last week's talking point following Finland's effective 12.3 per cent devaluation of the markka, while Sweden was sent into a tailspin by an unexpected third-quarter loss from Ericsson.

In local currency terms, Finland rose 2.7 per cent on the FT-A World Actuaries indices but dropped 6.2 per cent in sterling terms and 6.1 per cent in dollar terms. This reflected the Bank of Finland's decision to float the markka in an attempt to help the economy, which has been in a deep recession since the country's abandonment of its barter agreement with the Soviet Union.

Analysts say that this indirect devaluation was necessary to improve Finland's competitiveness. "It is the same thing as a 15 per cent pay cut," says Mr Edward Britton, an economist at Baring Securities. As it happened, the central bank's decision to devalue came soon after the news that the country's metal union had refused to accept an overall 7 per cent decrease in wages.

Mr Hans Westerberg, Baring Securities' Scandinavian analyst, says he is now more positive about the Finnish market since the devaluation will benefit the pulp and paper sector, which makes up 50 per cent of Finland's net exports. The blue chip in this sector is Kymmene, which focuses on the high-margin fine paper and lightweight coated paper.

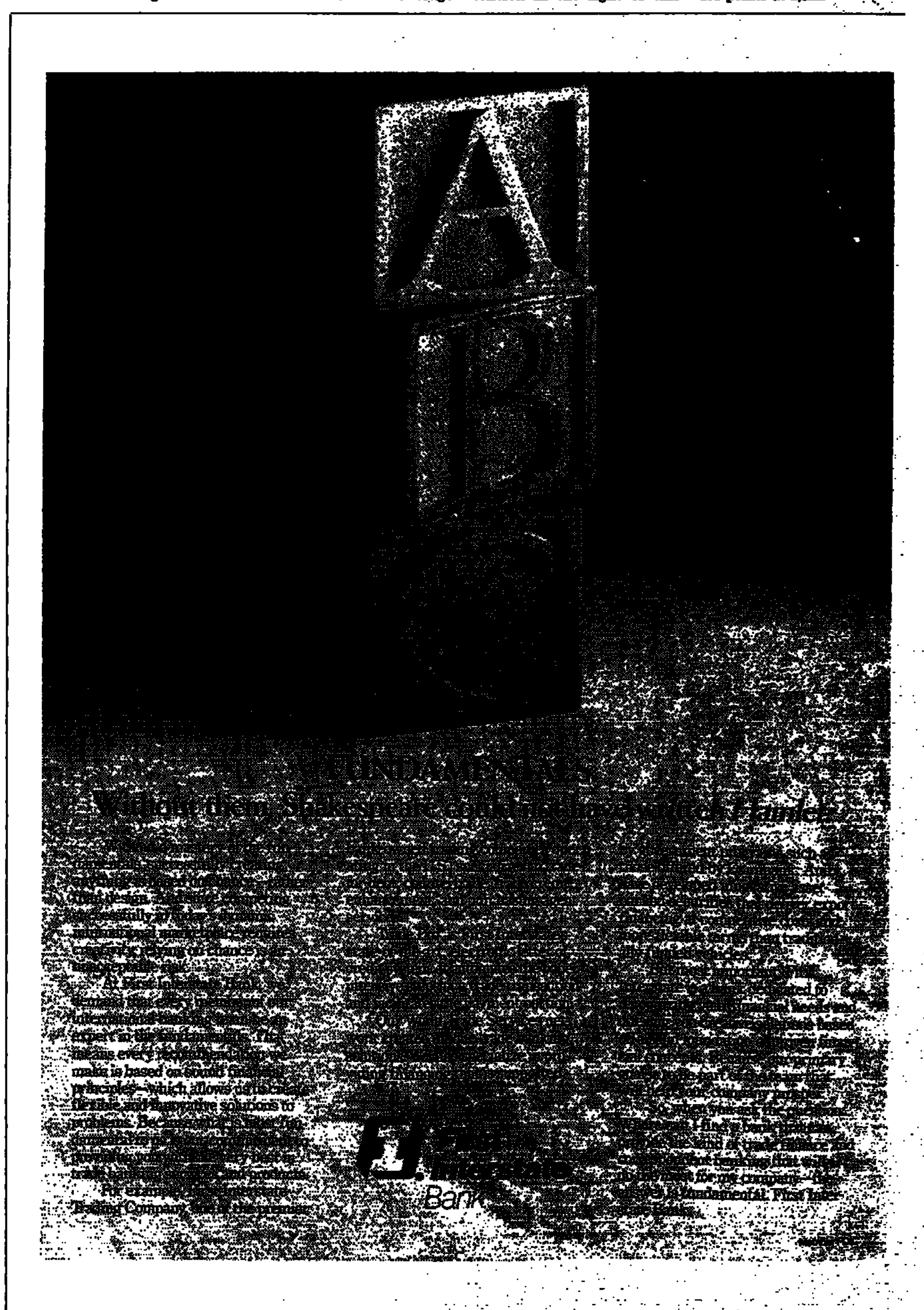
Sweden, on the other hand, fell 4.8 per cent in local currency terms. Ericsson's third-quarter loss came as a nasty shock, especially to US institutions, which had been active buyers of the stock recently. The market is braced for Volvo's third-quarter results tomorrow; these are also expected to be in the red, in spite of a SKr425m capital gain from the sale of its stake in Saga Petroleum, of Norway.

Mexico was the week's best performer, rising 6.5 per cent in local currency terms and 6.8 per cent in dollar terms, boosted by the renegotiation of the country's anti-inflation pact and the ensuing halving of the peso's rate of devaluation and a reduction in VAT.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 18 1991								FRIDAY NOVEMBER 15 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	155.91	−1.6	129.10	127.53	130.26	131.78	−1.8	4.59	158.48	132.82	130.13	134.96	134.13	160.31	112.74	122.74
Austria (20)	171.97	+1.6	142.38	140.66	143.67	143.46	−0.3	2.00	169.19	141.80	138.93	144.08	143.94	222.37	153.86	202.60
Belgium (47)	136.16	+1.4	112.75	111.37	113.76	111.15	−0.6	5.33	134.31	112.56	110.27	114.37	111.78	151.20	118.04	138.74
Canada (115)	142.28	+0.5	117.81	116.37	118.86	116.21	+0.3	3.20	141.55	118.63	116.22	120.53	115.87	144.28	126.49	125.34
Denmark (37)	263.40	+1.0	218.10	215.45	220.06	223.72	−0.9	1.56	260.81	218.58	214.16	222.10	225.78	270.56	217.74	256.10
Finland (15)	84.21	+1.6	69.73	68.89	70.36	76.53	+0.3	3.18	82.91	69.48	68.08	70.60	76.30	125.15	82.91	105.75
France (109)	145.12	−0.8	120.16	118.70	121.23	125.03	−2.7	3.55	146.33	122.64	120.15	124.61	128.54	152.26	119.11	141.39
Germany (65)	113.75	+0.5	94.19	93.05	95.03	95.03	−1.4	2.43	113.18	94.86	92.95	96.38	96.38	125.35	94.15	119.44
Hong Kong (55)	173.17	−1.5	143.39	141.65	144.69	172.38	−1.6	4.30	175.86	147.39	144.40	149.77	175.18	176.86	119.62	123.78
Ireland (18)	161.89	−0.4	134.05	132.42	135.26	137.34	−2.2	3.65	162.55	136.24	133.48	138.43	140.39	182.46	132.88	153.02
Italy (77)	71.39	+0.5	59.11	58.39	59.64	64.75	−1.2	3.58	71.06	59.55	58.34	60.51	65.52	86.23	64.76	79.66
Japan (474)	134.87	−1.9	111.67	110.32	112.69	110.32	−2.3	0.77	137.44	115.19	112.86	117.06	112.86	146.97	118.23	128.19
Malaysia (68)	202.65	−3.2	167.80	165.75	169.30	213.30	−3.4	2.91	209.30	175.41	171.85	178.23	220.91	247.78	189.18	195.59
Mexico (17)	1385.34	−1.4	1147.10	1133.15	1157.42	4636.36	−1.4	1.10	1404.63	1177.22	1153.37	1196.18	4700.94	1404.63	534.45	552.94
Netherland (31)	147.40	−0.2	122.05	120.56	123.15	121.83	−2.1	4.43	147.76	123.84	121.33	125.84	124.48	148.24	125.70	134.19
New Zealand (14)	47.77	−2.5	39.56	39.08	39.91	44.85	−3.2	6.20	48.99	41.06	40.23	41.72	46.31	54.64	41.18	48.81
Norway (30)	178.13	−1.7	147.50	145.71	148.83	152.51	−3.6	1.69	181.19	151.86	148.78	154.31	158.14	223.24	178.13	214.80
Singapore (38)	203.02	−2.8	168.11	166.06	169.61	155.63	−3.4	2.24	208.90	175.08	171.53	177.89	161.05	213.98	151.63	156.16
South Africa (61)	267.10	−0.1	221.16	218.47	223.15	175.06	−1.4	2.80	267.30	224.02	219.48	227.63	177.59	269.05	173.00	169.94
Spain (53)	148.39	+0.1	122.87	121.38	123.97	114.10	−1.4	4.82	148.29	124.28	121.77	126.28	115.77	171.12	131.51	150.52
Sweden (25)	173.38	−0.5	143.57	141.82	144.86	150.80	−2.4	2.96	174.18	145.98	143.02	148.33	154.58	204.12	146.60	168.32
Switzerland (58)	98.20	−0.5	81.31	80.33	82.06	86.88	−2.2	2.33	98.66	82.69	81.02	84.03	88.81	100.67	82.17	92.63
United Kingdom (240)	179.49	−0.5	148.63	146.80	149.95	148.63	−1.7	5.01	180.42	151.21	148.13	153.63	151.21	187.44	158.27	165.17
USA (526)	156.59	+0.6	129.66	128.09	130.83	156.59	+0.6	3.10	155.67	130.47	127.83	132.58	155.67	161.59	125.95	128.84
Europe (826)	142.74	−0.2	118.19	116.75	119.26	119.46	−1.8	4.04	143.06	119.90	117.47	121.83	121.62	151.52	125.50	138.37
Nordic (107)	179.75	+0.1	148.84	147.03	150.18	148.92	−1.8	2.17	179.51	150.45	147.40	152.87	151.62	200.81	155.55	179.13
Pacific Basin (718)	136.20	−1.9	112.78	111.41	113.79	112.43	−2.2	1.11	138.81	116.33	113.98	118.21	115.00	145.92	117.86	127.50
Euro−Pacific (1544)	139.14	−1.2	115.21	113.80	116.24	116.02	−2.1	2.31	140.84	118.04	115.64	119.93	118.45	147.66	121.29	132.26
North America (641)	155.62	+0.6	128.85	127.30	130.04	153.87	+0.6	3.10	154.71	129.67	127.05	131.76	153.00	160.44	125.91	128.54
Europe Ex. UK (586)	120.76	+0.0	99.99	98.80	100.92	102.67	−1.8	3.31	120.77	101.22	99.19	102.87	104.59	129.80	103.58	121.60
Pacific Ex. Japan (244)	149.34	−1.9	123.66	122.17	124.78	132.01	−2.1	4.19	152.24	127.59	125.02	129.66	134.84	153.19	111.40	118.71
World Ex. US (1737)	141.39	−1.1	117.08	115.66	118.14	117.74	−2.0	2.34	143.01	119.85	117.44	121.79	120.09	148.16	122.32	132.65
World Ex. UK (2023)	142.22	−0.5	117.76	116.34	118.83	127.99	−1.0	2.33	142.95	119.81	117.39	121.75	129.24	146.16	120.06	128.89
World Ex. So. Af. (2202)	144.64	−0.5	119.77	118.32	120.86	129.56	−1.0	2.61	145.40	121.86	119.40	123.83	130.92	148.66	122.92	130.05
World Ex. Japan (1789)	152.46	+0.1	126.24	124.71	127.39	140.77	−0.5	3.47	152.25	127.60	125.03	129.68	141.44	155.59	126.69	132.67
The World Index (2263)	145.46	−0.5	120.45	118.99	121.54	129.86	−1.0	2.61	146.21	122.54	120.06	124.52	131.33	149.37	123.28	130.29



BUSINESS TRAVEL

After a decade of steady expansion, business travel this year has shown a steep decline as executives are forced to consider whether their journeys are really necessary. There are signs of recovery, but it is likely to be slow and hesitant, writes **David Churchill**

A long haul to recovery

HOTELS, airlines, car rental companies and all the other components of the business travel sector have never experienced such a reversal of fortunes as in the past 12 months.

After a decade of steady demand, in line with the sustained economic growth throughout the 1980s, those operators involved in business travel have had to cope with the twin impact of Gulf war and recession. It was a double blow which at one point this year saw the occupancy levels of some international hotel chains drop to their lowest and airlines fly services with only a handful of passengers.

Even before the outbreak of hostilities in the Gulf, the recession on both sides of the Atlantic was taking its toll: Mr John Donaldson, chief operating officer of the Thomas Cook travel group in the UK, says: "The signs were already there in the last quarter of 1990 with companies, for example, downgrading their staff from first and business class cabins."

The severity of the recession was to a certain extent masked by the quick bounce-back in international business travel immediately after the war ended, a recovery which was not sustained in subsequent months. Since the Spring, the return of business travel markets to anything like their pre-war and pre-recession levels has been a slow climb-back.

But there are signs that it is happening. "There has been a definite improvement over the past couple of months in business travel activity," says Mr Donaldson. Hilton International, part of the Ladbroke Group, says that last month the chain exceeded an average 75 per cent occupancy level for the first time this year, with revenue about 5 per cent ahead of October 1990.

"This is the second month in succession that we have beaten the previous highest monthly occupancy level this year," says Mr Michael Hirst, chairman of Hilton International. "The results reflect a return to higher levels of business activity, particularly in Western Europe."

The signs of a recovery in business travel are also reported by the Guild of Business Travel Agents, whose 39 members are responsible for booking about 80 per cent of all business air travel out of the UK. "We are looking for an increase of about 5.8 per cent in the market's value by the end of the year," says Mr David Whittaker, chairman of the Guild. "Providing no other major negative event befalls us, we shall be better off than originally anticipated at the turn of the year."

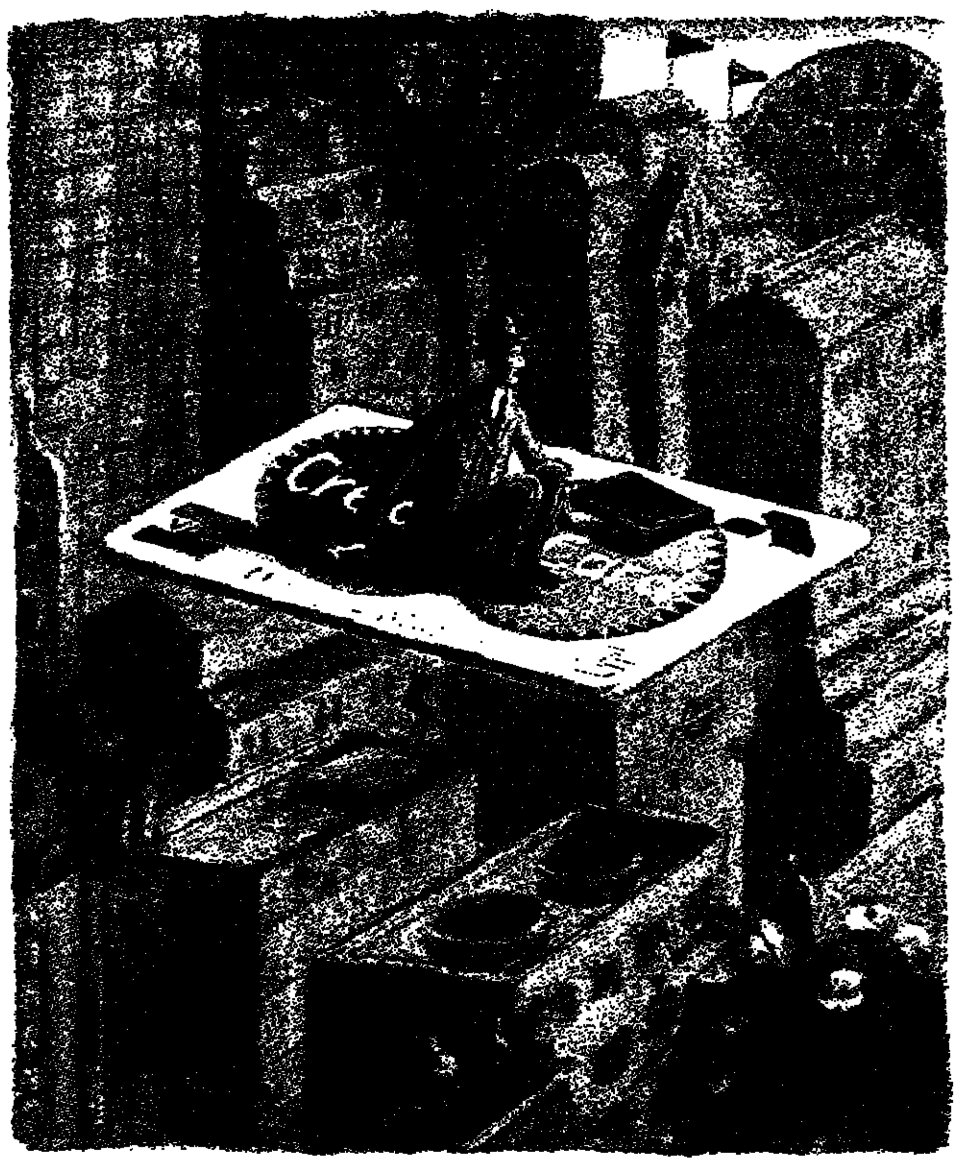
The scale of corporate spending on all forms of business travel (including entertainment when travelling on business) is often overlooked by companies because of the diversity and fragmented nature of such expenditure. American Express, which has an obvious interest in monitoring such spending, estimates that total spending on business travel and entertainment across Europe, the Middle East and Africa is between \$150bn and \$200bn.

This represents between 3 per cent and 6 per cent of Gross Domestic Product in the major West European economies, or an average of between 5 per cent and 6 per cent of corporate spending. This is companies' third largest area of spending, says Amex, after salaries and data processing.

Not surprisingly, the recession has increased corporate awareness of the need to control such costs. Mr Donaldson from Thomas Cook says that "our business clients are seeking more detailed information than ever before and they are increasingly looking for the best deals around". Thomas Cook's "flight savers" programme, a type of "bucket shop" operation aimed at the leisure traveller, is now taking twice as much business travel booking as a year ago.

Air fares account for some 26 per cent of all business travel spending, making it the largest sector, according to the Amex survey. While air fares across Europe for the business traveller are still higher than their equivalent within the internal US aviation market, those executives flying the North Atlantic routes are benefiting from a growing price war.

The opening up by the British Government of Heathrow Airport to all airlines earlier this year, and the arrival of new competitors in the shape of American Airlines and United Airlines (replacing TWA and Pan Am), has created the conditions for fierce price competition. Invariably, however, this competition has been in the Economy sections, rather than business class, encouraging many companies to send staff to the back of the aircraft rather than the front but at a fraction of the full-fare business class price.



The result has hit airlines' yield from the more profitable business and first class cabins, while at the same time forcing them to upgrade many business travellers from economy class. In a bid to attract more business class passengers, British Airways this year introduced a frequent flyer scheme – called Latitudes – which rivals the successful schemes operated by both American and United.

Executives flying business class can also look forward to more wooing by the airlines as the competition intensifies. In-flight developments are aimed at giving executives greater control of their environment: hence moves towards more flexible meal-times, individual videos with both films and in-flight television channels, and telephones and fax machines aboard.

But more attention is being focused on the ground, to make it easier for business travellers to check-in with minimum hassle. British Airways, for example, has introduced measures such as valet parking and recently opened a new lounge for business travellers, which it claims is the largest in Europe, at Heathrow's terminal one.

Hotels, too, have had to work harder to woo the business traveller. Forte Hotels, Britain's biggest group, has recently re-launched its Crest hotel chain with a number of added benefits for business travellers, including a fixed room rate of £60 during the week outside London and £95 in the capital and guaranteed message delivery within 10 minutes.

In a bid to woo conference users, it has also launched a Venue Guarantee service which aims, according to Ms Barbara Beckett, Forte Hotel's marketing director, "to provide companies with the peace of mind of knowing that they will get a personal meetings manager to oversee the event".

The potential for the growth of business travel in Europe, helped by the liberalisation of European Community frontiers after 1992 and the opening up of Eastern Europe, is also attracting more investment from hotel chains.

Choice Hotels, the hotel franchise network which claims to operate more hotel rooms than any other hotel group in the world, has recently targeted Europe for expansion. Choice believes, however, that the way ahead is more budget hotels which provide better value for the business traveller. It already operates 59 hotels in nine European countries – under brand names such as Clarion, Comfort, and Quality – and plans to have a total of 300 by 1997.

But perhaps the biggest drawback to the growth of business travel markets in the 1990s will not come from external factors such as recession or international tension but from the resistance of executives themselves to the stress caused by travel. A recent survey published by British Telecom suggested that business travel had lost its appeal as more executives put their family before work: being away from home was ranked higher than any other drawback of business travel.

While many executives will have found that the telephone, fax machines, and newer communication systems such as video conferencing could all fill the breach caused by their reluctance to travel earlier this year, most agree that travelling to do business is an essential, if sometimes frustrating, part of corporate life.

IN THIS SURVEY

Illustration: **Greg Becker**

BUSINESS TRAVEL 2

THE recession has probably done more for the cause of controlling corporate business travel and entertainment expenditure than all the marketing campaigns by American Express and other suppliers of travel management systems over the past decade.

Amex has been in the forefront of trying to persuade companies that business travel and entertainment is such a significant cost that they need to use a specialist control system. But persuading companies has been a hard slog – until this year when the recession has brought into sharp focus the need for companies to scrutinise carefully their expenditure.

Just how necessary this has become was revealed recently by Pickfords Business Travel which estimated that UK companies were wasting about *£1bn a year through poor* travel management.

"The recession and Gulf conflict certainly have concentrated the minds of many companies on travel costs," says Mr Colin Rainbow, Pickford's commercial director.

Travel and entertaining on business is by no means cheap. Total expenditure by UK companies is estimated by Amex at over £22bn a year – yet slightly fewer than six companies in 10 in a recent Amex *survey* were found to have a written travel policy on travel. And only just over a third included entertainment in its policy guidelines.

This position is often made worse by the fact that a number of different people may

Hard times prompt searching questions

Too many trips?

have responsibility for travel plans – ranging from the secretary who always books hotels through to the executive drawing foreign currency from the company cashier and then claiming this back as expenses.

The initial step in any travel expense system is to identify exactly what costs are being incurred. Direct costs are those which can be easily identified – such as airline tickets, hotel bills, and car hire. But there are always hidden costs such as cash advances, chasing up overdue expense claims, and cheque processing. It is *because travel spending is so* diverse and fragmented – and the information rarely held in any one place – that most companies are unaware of their true travel costs.

The business travel expense cycle falls into six main categories: the policy objectives and guidelines (such as who gets to travel business class); the travel arrangements; funding and payment for the travel; how the expenditure is reported by the traveller; a review of how travel spending (such as whether cost savings opportunities are being taken); and planning for future travel needs.

All these areas can cost a company more than necessary. But often the system breaks down because the corporate policy on travel is not properly thought out or communicated to the people involved. Often if the policy is communicated, it fails to stand up to employee scrutiny. Executives who have to spend a lot of time away from their families are often incensed at being forced to fly economy when the chairman flies first all the time.

Greater awareness of travel management, however, also draws attention to areas such

The business travel *expense cycle falls* into six categories

as cash advances. Although the charge and credit card companies obviously have a commercial interest in the argument, it does make sense to use cards when needed rather than bear the cost of a cash advance.

In-house travel managers or specialist travel agency management systems are the two main ways of tracking the expense cycle; often internal travel departments work hand in hand with an agency to gain the best systems.

Mr Clive Adkin, director of Thomas Cook's travel management department, points out the advantages of working in partnership with a travel agent rather than using them purely as a means to buy travel needs. "For years companies have been mesmerised by trying to get as large a slice of the travel agent's 9 per cent commission as possible in the belief that this is the best way to make savings," he says.

The real opportunities "lie in reducing the remaining 91 per cent of a company's travel spend through consultation with a travel management company operating a fee-based partnership arrangement".

He claims that a medium to large company, without an existing corporate travel policy on hotel spending, could expect to save between 15 per cent and 20 per cent by working with a specialist company.

Not all travel management companies are travel agencies or charge card companies. Coopers & Lybrand Deloitte, part of the accountancy and management consultancy firm, help companies control travel costs.

Mr Robert Townsend, Cooper's director for financial management in the north-west of England, cites a company which was able to save £450,000 out of its total travel budget of £2.8m through better management. "Unlike many organisations, the company did have a travel policy, but it was one that had evolved through custom and practice rather than by a cold calculation of business needs," he says.

Coopers found that 32 per cent of all the company's rail travel was being booked direct by individuals, even though the company had an agreement with a travel agency to book rail and air tickets in return for a 4 per cent discount.

Since the recession started, travel management services have reported a more aggressive stance by companies towards staff who do not take up the cheapest deal on offer. Companies are asking their agencies to provide details of all the special deals offered, so that they can track the reason why the deal was not taken up. Often this will be for the obvious reason that the executive *concerned needed more flexi*bility in travel arrangements, rather than a refusal to take the cheapest deal.

The danger is that excessive zeal by company accountants in controlling costs will go too far the other way in restricting travel and potentially harm an executive's ability to do the job. Control not cutbacks should be the key to travel management in the 1990s.

"It is essential that executives do travel to maintain relationships with key customers and to develop new business," insists Mr John Petersen, Amex's vice-president in charge of travel management services.

David Churchill

Travel agents fight for their share

At the crossroads

BUSINESS travel agents are at a crossroads. New technology could diminish their role to that of mere consultant. And they are being squeezed by big corporate travel purchasers who deal direct with hotels, airlines and car hire companies.

In spite of a reputation for complacency, however, travel agents appear to be striking back and finding a role for themselves in the run-up to the single European market and in

Criticism of implant *staff centres around* low productivity

meeting the challenge of the recession-hit 1990s.

With travelling executives seeking better control of their business travel costs the industry is focusing on management information.

The new generation of alert travel agents can, with the help of new technology, capture more information at point of sale and, in turn, better manage the travel spend of a client.

Information captured from the new-style computer reservation systems (CRSs), when analysed, can tell a company how much is being spent, by whom, in what class, whether it is in line with travel policy, and so on.

Such analysis can give a company an essential travel pattern and tracking of spend which in turn allows for better travel purchasing.

Good agents can offer this information on a multi-national basis too. Most of the big agents have spawned pan-European or global networks in an effort to satisfy the increasingly multi-national nature of their clients' business.

The acquisition in October of Pickford Business Travel by *Wagons Lits has made Pick*fords probably the biggest business travel network in the world, according to its commercial director Mr Colin Rainbow.

WagonsLits owns agencies in 40 countries and is partnered with agencies in a further 79 countries. Thomas Cook has long had a multinational capability, with some 350 Thomas Cook owned or allied agencies across Europe, the Middle East and Africa. Hogg Robinson has been the catalyst in the past few years in forming BTI (Business Travel International), an alliance covering Europe and the US.

Smaller-sized agents, such as AA Travel and the Travel Company, have linked with US *travel consortia such as TTI,* Woodside and Hickory. The Travel Company's marketing alliance with Rosenbluth International Alliance from January this year gave it access to 37 countries. Many are leaders in their domestic markets; EuroLloyd in Germany, Danzas in France and Switzerland, ATI in Belgium and Nyman & Schultz in Sweden.

"It makes us the biggest business travel company in Europe in volume terms", claims Stephen Etchells, director of sales and marketing at the Travel Company.

What these agents are attempting to offer across country borders is common management information, a common approach to quality of *service and a common CRS* system.

Many agents are offering to simplify such arrangements by driving the purchase and payment through a plastic card. Diners has joined forces with British Airways to offer a corporate card, Intex. The Mastercard UK franchise is held by Thomas Cook (in continental Europe Mastercard is marketed as Eurocard) and there is American Express.

The use of a card gives better cash flow to the employer, added value in the form of better insurance and less risks to the traveller. And it spares the travel agent any cash collection problems as the employer pays the bill direct.

The travel agency offers the *role of putting in place such a* travel management system and is able to follow it through by policing it.

But why use a specialist business travel agent rather than a general high street agent? It's horses for courses. A specialist purchasing function requires a specialist in that field used to booking thousands of room nights and flights each year.

A business travel agent will have access to good route deals with airlines and volume discounts with the major hotel chains. "It's what they're doing every day of the week", says Mr Rainbow of Wagon Lits.

Also common to all business travel agents is automatic meet and greet services at airport, ticket delivery, advice on health care and visas, passport pick-up and a 24-hour booking service.

Research by Thomas Cook revealed that customers of business travel agents want reliability and accuracy first and foremost, followed by product knowledge, speed and efficiency, continuity of contacts, consistency of performance, cost, discounting and rates.

The new generation of CRS *effectively gives every business* travel agent access to the same database and so it is quality of service which differentiates the good agents from the mediocre ones.

A recent initiative taken by the GBTA (Guild of Business Travel Agents) means that, in the future, customers should receive better levels of service as it has launched a vocational diploma course for business travel agents.

Large companies with a high *number of frequent travellers,* a sizeable travel budget and demand for last minute travel arrangements have taken their business travel agent in-house, otherwise called an implant. All the main travel agents offer this facility, as long as the cus-

Good agents can offer this information on a multi-national basis

tomer spends over £750,000 a year.

In return, the customer has the full-time use of agency staff (anywhere between one and 25) and thus releases a full-time travel manager from day to day administration. He or she *can then take a long-term,* more strategic view of travel purchasing, leaving agency staff to run the department.

Implants can, in some cases, save on payroll, but an implant also uses valuable floor space, particularly in the case of city centre locations. Space for a travel agency implant is usually provided free of charge but if there is a rental fee involved the temptation is not to charge the going commercial rate for the square footage.

The advantage for the agent is that it allows them to integrate more easily into the client company culture while the client often prefers the emotional reassurance and convenience of having someone on site.

Criticism of implant staff centres around low productivity as there is a finite amount of work in implants compared with the high street agency workloads which can be spread across several accounts.

Gillian Upton,
Editor Business Traveller magazine

BUSINESS TRAVEL 3

Tim Burt describes how airlines ease the pain of waiting

Oases of opulence for first-class passengers

IN a little-known story of journalistic enterprise, a British reporter recently invited a friend to lunch on one condition: that they both bought first class airline tickets from London to Paris.

Slightly mystified, the guest agreed to meet the reporter at Heathrow at noon although their departure was not scheduled until late afternoon. So tickets in hand, the two men shook hands on the pre-arranged date and advanced from the airline's check-in desk to a well-appointed executive lounge.

Once there, lunch began. The reporter offered his friend some canapés and poured them both chilled champagne. Each then took a selection of hors d'oeuvres washed down with some Pouilly Fumé. They tasted the smoked salmon and thoroughly enjoyed some cured ham with a glass or two of Macon.

Discreet and helpful airline staff then offered them chocolate profiteroles which they declined, preferring instead a little cheese followed by hefty amounts of Armagnac brandy and finally several cups of freshly ground coffee.

With just 30 minutes left before their departure for Paris, the reporter took his guest back to check-in and cashed in the tickets for a full refund – as permitted on first class fares. The two guests, replete and giggling, shook hands again and went their separate ways having paid no more for lunch than the cost of a tube ticket to the airport.

This loophole, first exposed in the *Spectator* magazine, still exists in theory although most airlines have now introduced some restrictions on the perks available to first and business class passengers.

The most obvious change has been to move executive lounges airside – beyond passport control and customs – which makes last minute cancellations more difficult. The airside advantages include proximity to the gate, access for transit passengers and exclusive use of duty-free shops at some airports. But unlike landside lounges – those sited near check-in areas – passengers cannot have a farewell drink or conduct informal meetings with non-travelling guests.

Several long-haul carriers get round this problem by having airside and landside lounges. At Heathrow, for example, Japan Airlines (JAL) and Qantas, the Australian carrier, have facilities on both sides of the departure controls.

The lounges themselves are designed to relax passengers by offering them a tranquil environment away from the hubub of the terminal. Once inside passengers can rely usually on free alcohol, endless coffee, newspapers, satellite television, fax machines and photocopiers.

Some airlines offer additional services, such as JAL which has on-screen information on world stock markets, while others give their CIPs – commercially important passengers – relatively spartan treatment.

The comfort and quality of executive lounges varies from airline to airline. The best tend to be operated by long-haul carriers whose passengers face several hours in the air. These airlines also extend their corporate identities to the decor of their lounges. So Qantas, for example, has the same style chairs in the same blue and burgundy colours in Bangkok, Cairns, Sydney and all leading destinations. Similarly, American Airlines has its Admiral Clubs around the world, as does United with its Red Carpet lounges.

One exception is Virgin Atlantic which has a very individual format. Its lounge at Heathrow is pure opulence with a surfeit of marble columns, mirrors and cream furniture. A mural on the end wall depicts the view from the Caribbean villa owned by Mr Richard Branson, Virgin's chairman.

Virgin, however, is not satisfied. Mr Branson's carrier is one of many at Heathrow which wants greater space for the comfort of its executive passengers. Mr David O'Neill, lounge manager for Virgin, said: "We trying to take care of everything for our passengers but we need a bigger lounge." The leading US and European airlines – such as American, Lufthansa and Air France – all want to move or redesign their lounges but space is at a premium.

BAA, formerly the British Airports Authority which operates Heathrow, is likely to exasperate demand by moving some lounges in Terminal Three to make way for new gates. It hopes to build a new area for executive facilities nearby but the plans are still on the drawing board.

The pressure on space at Heathrow, where 17 new carriers began services during the summer, means many lounges are very congested at peak times. One businessmen in the Air France lounge at Terminal Two, which has only 10 seats and free coffee, commented ruefully: "Travel today is not for uneasy souls. Every trip is a challenge".

In contrast to London, Air France's facilities at Charles De Gaulle airport in Paris are spacious and efficient. The difference reflects the influence of large carriers at their home base airports. British Airways, for instance, opened Europe's largest executive lounge recently in Heathrow's Terminal One; KLM has a grand new lounge at Schiphol; and Singapore Airlines has a luxurious club at Changi which is regarded as the trend-setter for other carriers.

Changi, serving Singapore, has been voted the world's best airport in a new survey by Business Traveller, the UK magazine. Its success is based on luxury and size. There are two gymnasiums and saunas; more than 100 shops, two business centres and 20 different restaurants.

Schipol in the Netherlands trailed some way behind Changi in second place, followed by Kloten airport at Zurich, and London's Heathrow and Gatwick.

Heathrow is preferred over Gatwick because of the range of destinations served and easier road access from central London.

Gatwick, however, tends to be less congested and is challenging Heathrow by offering a new range of services, such as its quarterly information guide which it mails direct to frequent fliers.

London's second hub also claims to "offer flights to more destinations throughout North America than any other European airport".

Elsewhere in Europe, plans to ease airport congestion by introducing peak period landing charges would be "disastrous" for some carriers, according to the European Regional Airlines Association (Eraa).

Eraa, which represents 50 airlines, says such moves would mean smaller carriers could not afford to operate services at times when executives want to fly. This is less of a problem in the US, where many airports have excess capacity and where small regional airlines benefit from operating agreements with larger carriers.

In basic services, however, American hubs do not enjoy a great reputation. The survey by Business Traveller magazine listed New York's JFK, Miami and Los Angeles among the worst five airports in the world for passport control, luggage retrieval and customs clearance. Only Atlanta – home to Delta Airlines – made it in to the world's top ten airports.

Business travellers spoiled by a stopover in Singapore or Amsterdam should also prepare for meagre facilities at smaller airports. Businessmen will find no office tools available at Tahiti's Papeete Airport, for example. While across the globe in St. Petersburg, the business class passengers have difficulty finding the executive lounge – there isn't one.

Most airports are not so ill-equipped but their much-vaunted executive havens can range from the sublime to the shabby according to the carrier. The only certainty is a little peace and quiet far from the madding crowd.

Glyn Genin

A private first class lounge at Gatwick Airport, London: somewhere to relax or work before the flight

David Churchill compares different standards in the air

Best may not be better

WHEN British Airways relaunched its business class service in 1988 it quickly found that the product was so good that it attracted those passengers who might normally have flown in the higher-priced first class cabin.

Now BA has a similar problem following the upgrading of its economy class service at the same time as more and more companies have decided, for reasons of cost, to send their executives coach class. Why pay 10 times the fare in some cases, so corporate accountants argue, when economy class is bearable for the business traveller, even if it is not exactly stylish?

Other airlines also face this dilemma: how to improve the service in business class to make it worthwhile for companies to pay the higher charge.

At the same time, some travellers are beginning to question the value of constant tinkering with business class services if it means higher fares. Surveys of business travellers consistently show that their key requirements from an airline are punctual departure and arrival times and flexibility of routes.

Exotic cuisine in-flight does not come high on the list for choosing an airline, although airlines persist with improving catering because it might just make the difference between airlines offering similar routes and times of flights.

The new wave of American carriers flying into Britain – American, United, and Delta – all believe strongly that their "hub" or gateway approach gives the most flexibility to business travellers. This is the system whereby these airlines operate main services into certain cities (Atlanta and Cincinnati are Delta's main US hubs, for example) which then provide onward connections to smaller cities.

This system certainly allows for greater flexibility into final destinations, but can often lead to much longer flight times because of the need to change flights at the hub airport. Experienced business travellers still plump for the direct, non-stop flight where possible.

Cathay Pacific, the Hong Kong-based airline, recently started non-stop services to Hong Kong out of Heathrow using its new Boeing 747-400 series aircraft. Initially Cathay's departure slot was at 9 pm, but it has moved the flight to an earlier time to make onward connections from Hong Kong more flexible.

Glyn Genin

Dainty dish aboard a Canadian Airlines Boeing 767

Wooing the business class passenger, however, has forced airlines into coming up with ever more inventive ways of offering added value. The key approach is to suggest that the executive will be in better shape if he or she flies in business class rather than economy.

The main difference for business class passengers to economy is space. On commercial airliners this is measured in terms of seat-pitch – the distance measured between the front edge of a seat to the front edge of the seat directly in front when in an upright position. The greater the pitch, the more leg-room available.

On a long-haul flight, a seat pitch of less than 36 inches could prove uncomfortable for anyone slightly above average in height. The average pitch on most inter-continental flights is just under 40 inches, although this can vary widely. BA's Club World seats are 40 inches in pitch although Air Seychelles is the biggest at 56 inches. Virgin Atlantic is 55 inches in its Upper Class service which effectively provides first class space and service at business class prices.

The space Virgin gives business travellers (let alone the other perks it offers, including in-flight neck and scalp massages) has easily made it the favourite choice of most transatlantic business travellers in the recent *Business Traveller* poll, although BA wins the honours for best overall service.

Mr Richard Branson's deliberate attempt to win business travellers to his airline in the mid 1980s was the most significant development in business class aviation since KLM first launched separate services for executives in 1975. Virgin's drawback, however, is the small scale of its fleet and services compared with airline giants such as American and BA.

One innovation from Virgin – a limousine service to and from the airport – has been reluctantly copied by some other airlines. Virgin, which originally confined the limousine service to just 40 miles of London, now offers it from any mainland point in the UK. Others which offer this service (although not all from anywhere in the UK) include Air Canada, Qantas, All Nippon Airways, and Cathay Pacific.

On the ground, in fact, is where most efforts are being made to speed up the service for business travellers. Valet parking and kerb-side check-in are two growing areas, with airport lounges now being seen as essential.

British Airways, for example, has recently opened a 20,000 square feet lounge at Heathrow's terminal one for its Club Europe passengers which it claims to be one of the largest at any European airport. KLM this year has also opened a new lounge of similar scale at Amsterdam's Schipol airport.

Such investment in services for pan-European business class passengers is likely to grow in future as a means of retaining the intra-Europe business class passengers. With the type of aircraft used within Europe, business class passengers at present get little extra in flight in the way of space; so all the added benefits have to come on the ground.

Many airlines offer business class passengers a range of deals for hotel accommodation, car hire and other facilities. Air France, for example, provides its passengers who stay in any Meridien hotel (it owns the chain) with the best room in any category and no extra charge for check-in before midday.

Business class developments in-flight during the 1990s are likely to be technology based. In-flights telephones are becoming relatively common, although technical problems still prevent their widespread use. In-flight fax facilities are also available. Individual video screens and choice of programming should also become widespread in business class within a few years.

Such technological developments, however, sometimes seem more of interest to the airlines than their business class passengers. Surveys have shown that one of the biggest problems facing travelling executives is the loss of control associated with travel. Although some airlines have attempted to offer more freedom for business class passengers – such as greater flexibility in determing when and what they eat in flight – most travellers are still treated effectively like children when on board. The airline that can offer the airborne business executive the same control he or she has in the office has a good chance of capturing that traveller's loyalty in the 1990s.

Gillian Upton enters the labyrinth of hotel rates

Leave it to the agents

HOTELS are offering a plethora of rates this year to fill rooms empty because of the recession and the Gulf war.

Steering through the maze of rates is a difficult task, best left to the travel agents. The bigger agents have good deals with the top hotel chains and can usually obtain a better rate than that quoted by the hotel itself.

There are five ways of booking a hotel room: call direct, call the hotel's own central reservation number, book through an airline computer reservation system, get a local office to book the room in the city one is staying in, or use a travel agent. Each of these calls will probably illicit five different rates.

One thing is sure – one should not be paying the published rackrate, which should be used only as a barometer. "The number of people paying rack rate has decreased over the years," says Karen Gill, regional director of sales for the UK for InterContinental Hotels.

Those that do will be those who have booked late, are booking only a few nights which do not warrant a better-than-rack rate, or those booking direct.

The bigger buyers get the better deals simply because they can guarantee a certain volume of bednights per annum and therefore trigger a corporate rate (a minimum of 10 per cent discount), or probably a preferred (ie a better-than-corporate) rate (ie 10 per cent-plus). But a preferred rate is not necessarily discounted from the best room in the hotel.

Take the Leicester Holiday Inn. A standard room at rack rate ranges from £84 to £87. A corporate rate is offered to regular customers at 10 per cent off rack rate, ie £75.60 - £78.30. In addition, the hotel will offer a local commercial rate (Holiday Inn's equivalent of a preferred rate) which is dependent upon volume and available to travel agents and companies direct.

This will be a discount off rack of over 10 per cent. Lastly, this hotel offers a weekend rate geared to families: £43 for dinner, bed and breakfast or £33 for bed and breakfast only (based on a per person rate and two people sharing). The confusion of rates is further complicated by the fact that, unlike airlines, hotels do not use live reservation systems. Whereas airlines can book flights on a last availability basis, hotels do not have this facility.

Ashley Ashwood

London's Effingham Park hotel has executive rooms reserved for ladies

"It's not based on real time," explains Denis Johnson, general manager sales for Europe of Hilton Hotels USA and Conrad. "A three or four second delay in transactions can screw up the entire hotel inventory."

Hotel marketing companies, such as Leading Hotels of the World (LHW) and Steigenberger Reservation Systems (SRS) sell hotel rooms on a "free sale" basis because there is no live, automated system. Moreover, bookings taken at the individual hotel property always take precedence.

"It's a mess," says Stephen Etchells, director of sales and marketing at travel agency The Travel Company. "We're lobbying hotels and they're positive about the need for change. The hotel industry needs to be as sophisticated and mature in its reservation, monitoring and tracking process as the airline industry and until that's achieved professional yield management will never really be maximised."

Hilton Hotels USA and Marriott hotels, together with Budget Rent a Car and American Airlines, are rolling out a live CRS system next year called Confirm which should eradicate the bookings nightmare. "Existing hotel computer systems are spin-offs of the airline systems and have never been written for hotels before," explains Johnson of Hilton Hotels USA and Conrad.

Hotels launched corporate rates in an effort to reward their best customers and keep them brand loyal to their product.

However, everyone now has access to corporate rates, it seems, which has pushed the hotel's revenue down and caused the hotels to be more selective about who they give their preferred rate to.

"Big hotel chains like Hilton and Sheraton give corporate rates automatically but preferred rates are only given on volume and you have to meet strict targets," says Colin Rainbow, commercial director of multiple travel agent Wagon Lits.

Periquito Hotels, a mid-market group of six UK properties, has travelled a different route, selling its rooms on a room rate tariff for the two main room types it offers. A room rate rather than a per person rate allows the customer to accommodate a maximum of four people in each room.

"We like to think we were the pioneers of the room rate tariff in the UK," says Peter Mackworth-Gee, managing director. "We wanted to keep our tariff structure as simple as possible."

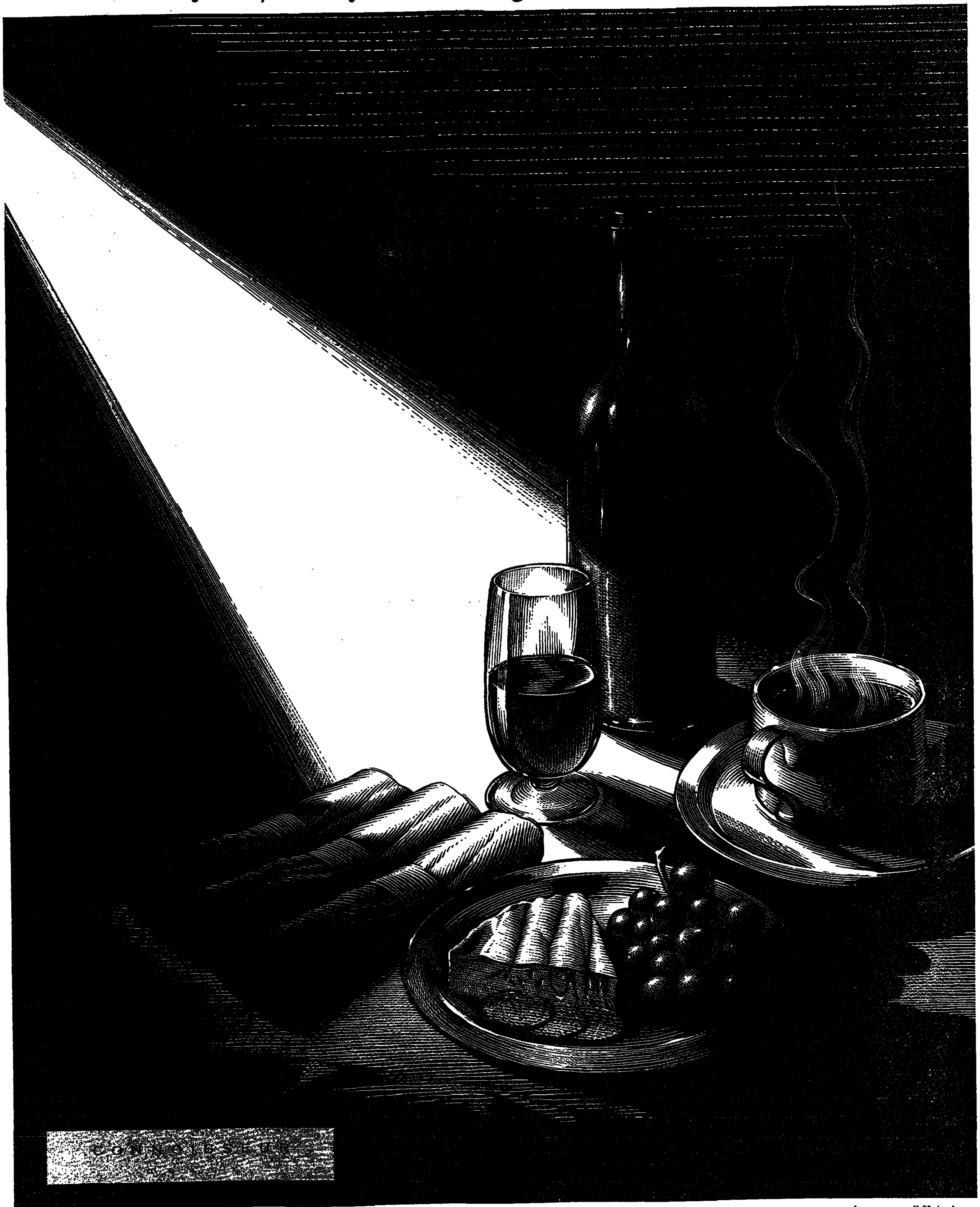
The Monday to Thursday rates vary only slightly depending on location. For a deluxe room they range from £54 to £65 per room.

Hotels have only one chance to sell a room; they have until 6pm each day to make a booking. Ways to maximise revenue and occupancy, called yield management, include local promotional rates offered by a general manager if he/she feels it would help his occupancy. Such rates are usually offered low season, ie January to March and July and August.

Many hotels, particularly deluxe properties, have panicked this year and have added to the confusion of rates. "There is a price war going on," says Rainbow of Wagon Lits. "Deluxe hotels are certainly being affected more than usual but the discounts are right across the board."

Some hotels are offering added-value instead of discounts. The Hotel Conrad on Hong Kong island, for example, is offering complimentary limo transfers and laundry, automatic room upgrade, 6pm checkout and fax and telephone calls at cost until February.

These sort of deals should be communicated at booking time but it is always best to check direct with the hotel.



BUSINESS TRAVEL 6

Faster trains spread their wings, writes **Catherine Chetwynd**

Iron horse strikes back

AIL TRAVEL has come back into its own throughout Europe thanks to increasing delays in air travel, which show little prospect of improvement before the end of the century.

Rail companies' efforts to attract the frequent traveller are shadowing the services offered by airlines. They range from improved rolling stock and journey times to on-board and fully equipped offices.

Operations are becoming more internationally integrated, which means better connections between countries, and particularly between member states of the EC, catering to the advent of the single market in 1993.

The most obvious example is the Channel Tunnel, which should provide three-hour journeys from London to Paris connecting with TGV-Nord; or London to Brussels in three hours 10 minutes.

A dedicated high speed Belgian line under construction will cut a further 30 minutes off the journey. And when the controversial UK link through Kent is built – its route through east London was recently confirmed by Mr Malcolm Rifkind, transport minister – Paris should be a mere two-and-a-half hours away.

The journey will start at the projected King's Cross International Terminal, which is to provide links with InterCity and Network SouthEast. Eventually it will be possible to reach Paris from Edinburgh in seven hours 15 minutes.

The Three Capitals train on the Eurotunnel service (Trans Manche Super Train) will be comparable to the TGV, with air conditioning and bar/buffet catering coaches, with at-seat meal service in first class.

National services are improving. The extensive TGV network of SNCF, the French railway company, sets the pace in Europe. Travellers are voting with their feet to the tune of 25m passengers a year, and because TGV-SE has almost reached capacity, FF10bn worth of double-deck coaches are on order.

TGV-Atlantique is more business orientated, and faster, than the SE version. The fastest trains reach 186mph, have conference facilities, phones and superior catering. Journey times and frequencies are impressive – Paris-Bordeaux in two hours 56 minutes to cover 362 miles, with seven trains a day.

Even non-TGV trains cater to the needs of the frequent traveller. Euraffaires services provide lounges at stations (like BR's Pullman) and facilities on board, such as photocopiers, calculators, phones and stationery. Restaurants and seat service are available and – the personal touch – staff will order a cab to meet passengers on arrival. TGV Nord is due for completion in 1993, serving Paris's Charles de Gaulle airport.

Worthwhile time savings have been made with new stock on German Federal Railways (DB). State-of-the-art, 175mph ICE (inter-city express) trains have cut an hour off the Hamburg-Frankfurt service, and also off Frankfurt-Stuttgart, although there have been teething problems with the new trains.

These models are used on

Technology has improved standards of travel by train

the Hamburg-Frankfurt-Munich route, with hourly departures, and provide conference facilities, seat-back video screen, terminals and videotext pages, with the ability to key in messages. In addition, passengers can order tickets or book a hotel room from the train.

Regularity is an outstanding feature of the IC (inter-city) trains used on other routes between large cities, with hourly services. Technology is not quite so impressive, but there are still payphones, good restaurant cars and at-seat service in first class.

Rivalling ICE trains – and possibly everything else – in technology and gadgetry are *Danish State Railways (DSB)* IC3s. Payphone, fax, sockets for stereo music with five channels (bring your own headsets) are available just for standard class passengers; and first class travellers get PC outlets, use of portable phones and free newspapers, tea and coffee.

Frequency is good, although Denmark's geography – with the Great Belt isolating Copenhagen – prevents good journey times. An electric successor to the current diesel version is on the drawing board and should make some inroads on timetables.

The Swedes introduced a mobile office four years ago on the Stockholm-Vasteras line. A coach at the back of the train is fully equipped with typewriters, PCs, phones, fax, conference area and a coffee machine.

The idea was launched by Asea, a Swedish company based at Vasteras, 75 miles from Stockholm, to encourage those wanting to live in the capital to continue to work at head office.

Otherwise, the main route is

Glyn Genin

Silver service: Amtrak Metroliner at Washington Union Station

Stockholm-Gothenburg, which runs tilt-bodied 130mph trains. The X2000 covers the 283 miles in three hours 25 minutes, although this should soon be reduced to three hours.

Italy is tilting passengers gently round corners with ETR450 Pendolino trains, which allow savings of up to 90 minutes on key routes.

The Dutch are introducing double-deck coaches to cater for the vast number that use Netherlands Railways (NS). The network is comprehensive and a Train Taxi service has been introduced, giving a flat-rate (£1.60) transfer to and from stations in 60 towns and cities, including Rotterdam and The Hague. Such is its success, the service is used by 150,000 passengers a month.

In contrast to the Netherlands, Switzerland and Austria have geographical problems – mountains. The Swiss SBB is comfortable, impressively efficient and has good schedules. Between Geneva/Lausanne/Bern/Zurich there are 14 IC trains between 09.58am and 10.58pm. Narrow gauge railways provide good frequencies.

Best trains in Austria are SuperCity, with sensible timetables, although speeds are less impressive – something RENFE in Spain also suffers, but with less reason. Improvements are promised over the next few years and for the present, some of the best services are the overnight sleeping car services.

Meanwhile, British Rail is wooing the executive traveller. Pullman standards – a sort of elevated first class – are well established, with lounges at five stations, for use on arrival or departure, offering business facilities including TV/teletext and photocopier.

On board, the enhanced personal service is available on main business routes, with at-seat service, airline-style hot towel offered after a meal, and free orange juice before disembarking.

First class provides good leg and elbow room with 2x1 seating, train phones and trolley service; and an InterCity senior conductor is on call throughout the journey.

Electrification is improving journey times but it is a slow process, with only the London-Edinburgh line benefiting so far. IC225 engines with improved coaches mean greater comfort and the 393-mile journey takes just under four hours.

Next improvement is the IC250 on the west coast line to Manchester, Liverpool and Glasgow – but not until the late 1990s.

Regional services have been enhanced, with better frequencies between main cities – Birmingham to Bristol, for example – with early morning arrivals allowing a full day's work: at last a viable option for executives feverish from contra-flow systems on motorways.

But BR's punctuality and reliability have yet to match continental standards.

In North America, the vast Amtrak network stretches across the continent, from Seattle in the north-west, to Miami in the south-east. Regular schedules link big cities, such as the Metroliner between New York and Washington, departing every hour on the hour and taking two hours 50 minutes; early morning and late afternoon express services make the journey 20 minutes shorter.

Wide reclining seats with leg rest and in 2x2 configuration emulate airline standards. On Northeast Corridor trains, Club service has seats in 2x1 format, Railfone, at-seat service and free meals, plus morning paper, coffee, juice and hot towels.

On-board conference areas seat up to four, or for bigger groups, there are Club Conference facilities on selected trains, with room for eight, plus teleconferencing and video.

A Pullman-style Metropolitan Lounge with fax, phones and meeting room is available at New York's Penn Station for first class passengers. And two more are due to open: in Philadelphia's 30th Street Station and at Washington DC's Union Station.

Technology has improved standards of travel by train worldwide. Improved rolling stock and frequencies, and higher standards of service have made rail a real alternative to air travel. The airlines had better look to their laurels.

The author is executive editor of Executive Travel

David Churchill discovers cheap ways of flying first class

Dress well and look the part

A PARADOX of business travel: if many companies have curtailed their executives flying business or first class because of recessionary pressures, why are the business and first class cabins on most airlines still full?

The answer is simple – most of those seats are filled with executives who have been upgraded, from economy to business to first and, in certain cases, to Concorde as well if flying with British Airways.

Their is intense competition on air fares crossing the North Atlantic and BA, for example, is selling return economy tickets to New York through travel agents for under £300. With the popularity of frequent flyer schemes which give travellers free economy tickets, airlines are finding themselves full with cheap fare paying passengers.

To accommodate these passengers, let alone the full-fare paying economy passengers, airlines have had to upgrade more passengers this year.

The policy of upgrading passengers is something that airlines never like to talk about, since it is a practice that depends on a variety of factors, including passenger loads on the day, the popularity of the route, and often the whim of the check-in desk staff.

American Airlines says that the only official upgrades are those earned by members of its frequent flyer programmes.

Airlines seem to change their minds frequently about the pros and cons of upgrades: sometimes they believe it is good business practice to give a passenger the experience of a higher grade of cabin on the grounds that, once experienced, they will not want to fly at a lower grade again.

Other times, airlines become hostile to the idea and talk about such things as yield management and keeping the integrity of the product intact. However, passengers are being upgraded every day, so how does one secure a better class seat?

■ **Dress smartly.** There is very little chance of getting upgraded if you are casually dressed. Whatever else you have going for you it will all count as nought if you are wearing jeans, shorts, and a tee-shirt.

Men should always wear a jacket and tie at the check-in if they want to create the right image; women should be dressed smartly if they are to be in the running.

■ **Use a specialist travel agent.** Your business travel agent should have the clout with the airline to ensure that if anyone is to be upgraded, it will be one of their customers.

Good business travel agents will endeavour to make the right connections with airline people so that your details will be entered into the computer reservation system as a potential upgrade. "We are the UK's largest buyer of airline tickets and therefore those business travellers who use a travel management company stand a better chance of an upgrade if space is available," says Mr Clive Adkin, director of Thomas Cook Travel Management.

Airlines are usually quite keen to reward either full fare paying passengers or those booked through regular agents with an upgrade. Many business travellers, for example, need the flexibility of a full-fare economy ticket and airlines recognise that they should get preferential treatment over other passengers who may have bought the same ticket at a much cheaper price through a bucket shop or airline seat consolidator.

■ **Shop around.** With or without the help of a specialist agent, it sometimes pays to think laterally. For example, some companies may have a policy which enables senior executives to fly first class with BA across the North Atlantic but not pay the extra supplement and fly Concorde.

Air France will fly an executive out of Heathrow on its 7.30am shuttle to Paris to catch the 11am Air France Concorde to New York, arriving at about 9am New York time. The cost is £1,826 (return fares are double) compared with BA's first class single fare of £1,935 or its Concorde fare of £2,515.

■ **Join a frequent flyer programme.** Many airlines have schemes whereby full-fare paying passengers can register the number of flights or distances travelled and earn free flights for later use. US airlines are particularly fond of such schemes, even though the fierce competition between them has meant that they have increasingly had to offer better deals to attract customers. The result has led to many flights being virtually full of passengers travelling on such deals, which makes them unprofitable for the airlines and has hastened the collapse of several.

However, instead of taking up free flights, some travellers prefer to use the points awarded under such schemes to upgrade their class of flight.

■ **Check in late.** A practice not to be recommended unless you enjoy the *frisson* of possibly being denied boarding for arriving after the end of normal check-in time. Experienced users of this system arrive just within the allowed check-in time in the hope that full economy or business cabins might get them upgraded. It does work, which is why people try it, but the cases where it goes wrong means it is a gamble.

■ **Keep trying.** If you are not upgraded at the check-in, then you might still have a chance once aboard. If, for example, you are seated in economy class next to noisy children then it is worth asking the senior steward or stewardess if you can move up front if there is room. If you look an obvious business traveller then it is up to the discretion of the cabin staff, but usually they can be quite sympathetic to your plight.

■ **Be confident.** Perhaps the most essential element of successful upgrading is to brim with confidence (but not arrogance) at the check-in desk.

MILAN

Business gateway

AS ITALY'S undisputed financial capital, the focus for its rich industrial north and a top international exhibition centre, Milan is one of Europe's top business gateways.

While it is long on hospitality and courtesy, it is, like much of Italy, short on infrastructure. Passengers at Linate, the small but highly-convenient airport which handles most domestic and European flights, will recall an earlier era of air travel as they queue to board buses to reach their aircraft.

Linate's lack of direct access and overcrowding is easily forgiven compared with the trek to Malpensa, Milan's other airport, 46 kilometres north-west of the city, which handles eastern European, transcontinental and charter flights. Now served by a reasonably regular shuttle bus, the only alternative to reach Malpensa for those without a car is a financially punishing L120,000 taxi ride.

Most European businessmen will only see Malpensa on those days when Linate is closed by the fog which engulfs much of northern Italy causing long delays and cancellations.

In the city, business travellers find the fullest range of services, although to many the prices seem steep. No longer the bargain centre of visitors' dreams, Milan stands out as the dearest city in a country where prices are often appreciably higher than elsewhere in Europe.

At Milan's top hotels a room will cost at least as much as in London or Paris, but probably for accommodation of poorer quality.

Spurred partly by last year's World Cup soccer championship, some improvements have been made, and much of the scaffolding that encased many of the city's best-known hotels over the past 18 months has now disappeared.

However, with most big hotels grouped slightly outside the city centre, it will be at least another two years until the first of a handful of newly-converted city-centre luxury hotels are opened.

Milan's core is fairly compact, and bankers in particular will find most of their destinations within walking distance of the stock exchange, which will also soon be returning from a tacky temporary base to its imposingly restored former home.

The area also houses the headquarters for Banca Commerciale Italiana and Credito Italiano, two of Italy's most respected state-owned banks, and Banco Ambrosiano Veneto, now the country's biggest private-sector financial institution.

Within reasonable striking distance are also the offices of Montedison and Pirelli, two of the biggest companies in the city.

Visitors to the fair, which is rather shambolic compared with its big international rivals, have a somewhat longer journey, although there is an underground station conveniently by the main gate.

With new building severely restricted in the city centre, many companies, especially foreign, are located in the large number of new office developments on the fringes.

Such areas often offer high quality offices and easy access by car thanks to the orbital motorway around the city. But they tend to be deserted at night. Visitors booked by their local subsidiaries into one of the various businessmen's hotels adjoining such developments should think twice before accepting.

Haig Simonian

BUSINESS TRAVEL 8

Car hire firms adopt way-out sales tactics, writes **Andrew Jack**

Toys for the grown-ups

IT HAS been a difficult few months for the car rental industry. The recession, the Gulf war and interest rates have all hit operators and caused several corporate collapses. Some have resorted to bizarre methods to help drum up compensatory business.

For Budget Rent-A-Car, the tactic has been to use high quality, expensive and very focused direct mail. It spent considerable time identifying the key decision-makers, such as company secretaries and transport managers, in several hundred companies. It then sent them parts of a metal car kit.

The executives could only get the remaining parts of the kit in "drip-feed" fashion by requesting further car rental information. They were only sent the wheels if they allowed a Budget sales representative to visit them.

The idea may be a gimmick, but it follows the company's success with a similar scheme last year. Executives were mailed a radio-controlled car. They were only given the handset to control it if they requested further information on Budget's offerings.

The result was an award from the British Direct Marketing Association, along with – more importantly – considerable extra business. The response rate, phenomenally high for most direct mail programmes, was 50 per cent of the letters sent out.

Budget is not alone in its use of quirky incentives, however. Alamo, a recent entrant into the UK market, has come up with a more practical set of incentives. In a promotion launched this month, customers receive a Pierre Cardin overnight bag after five rentals. By the time they have hired a car 35 times for a minimum of two days each, they will have a complete four-piece luggage set including a suitcase with antique brass fittings.

"This year has been an interesting one," says Mr Neil Somerville, vice-president and managing director of Budget Rent-A-Car (UK and Ireland), who claims that business has held up for his company, partly as a result of the direct marketing campaign. "Everybody has had their margins squeezed."

He says he has come across "every economy measure you can think of" from potential and past customers. Businesses are holding on to leased vehicles for longer periods, reducing the size of their fleets, and even using public transport.

The average length of short-term hire by business travellers has dropped as a result. Budget estimates that it has come down from an average of five to four days over the past two years.

Mr Bruce Tranter, marketing and sales director of Avis (UK), is more blunt. "This has been the most severe recession the industry has ever had to face," he says. Volume is down; and the residual value of secondhand cars – crucial for the resale potential of fleets – has also suffered.

According to statistics from the Society of Motor Manufacturers and Traders released at the start of November, the sale of new cars during October was down by nearly 23 per cent on the same month last year.

He says that companies are now typically delaying new fleet purchases from three up to four years. But after three years, the price of these cars drops sharply.

"We've had a pretty torrid time," says Mr Roger Macey, chairman of the British Vehicle Rental and Leasing Association, and managing director of FMM Group, a fleet management company.

He argues that long-term car leasing continues to suffer, while short-term car rental is beginning to pick up. When companies are reluctant to buy or commit themselves to long contracts, they will rent for shorter periods when they need vehicles.

Against this general background of malaise, operators point solemnly towards the experience of a number of their rivals. Willhire, based in East Anglia, called in the receivers at the end of 1990. Thrifty managed to find a new operator for its UK franchise after financial troubles earlier this year. Many smaller rental businesses which collapsed during the recession were not so lucky.

The declining demand for corporate rentals has led to an ever more unseemly scramble between the remaining competitors. Airports have opened up more concessions for different operators. Few companies now do not have partnerships with airlines, tour operators and travel agencies.

Prices have also bounced quite wildly during the year. It has never paid better for consumers to shop around.

"We have tried not to reduce charges but to widen the net," says Budget's Somerville. He is fond of pointing out that it costs a managing director more to rent a dinner suit than it does to hire the car that takes him to the formal dinner. "And just think of the capital investment involved in the car," he says. He believes – or at least hopes – that there will be an upward "revision" of prices and insurance levels next year.

"The stress for us has been on building an image based around value for money and quality of service," he says. "It's about providing safe, good quality cars with friendly service at the right price; down-to-earth attention to detail with a lot of emphasis on staff training."

This style of differentiation on the basis of quality is not so different, however. In August, Alamo introduced "Alex", the Alamo express card, which reduces the paperwork for regular clients to hire its cars.

Avis's Tranter shares the same focus. A questionnaire given to each person who rents one of its cars allows the company to track complaints and improve its service. Drivers can rate cleanliness, staff helpfulness and similar issues on a five-point scale. The manager in each Avis office is rewarded partly according to the answers given.

The company recently introduced its "Express" system, which stores the basic information required for car hire on behalf of regular customers. They simply have to give an identification number and answer three questions, and they can rapidly rent the car.

It also operates the "Wizard" computer system, which is able to reserve cars and bill customers anywhere in the world, while giving the company a clearer idea of forward bookings. Tranter says more initiatives are "warm and on the drawing board" for launch next Spring.

He says business will improve in 1992, but adds: "We are not looking forward to a bumper year." The current low prices and rhetoric about quality spell good news for clients. But until the economy picks up, the prospects for those supplying them remain weak.

LONDON

Surprising recovery

LONDON has survived the impact of the Gulf War and recession surprisingly well given the gloom at the start of the year.

The economic downturn, exacerbated by the hostilities in the Middle East, brought about dire warnings within those parts of the London business travel sector – such as hotels, restaurants, and convention and exhibition facilities – which rely heavily on the executive traveller from overseas or the rest of the UK.

Although a number of smaller London hotels have been forced into receivership this year because of the slump in trade, hotels at the top end of the market which cater to the international business traveller have at least survived, even if their survival seemed touch and go at times.

Indeed, hotel consultants Horwath Consulting believe that there is an underlying shortage of good hotel accommodation in the capital which could lead to problems for business travellers when the next upswing in the economic cycle reaches its peak. Fortunately for those executives coming to London in the near future, that peak is not anticipated by Horwath to be reached until 1994.

Yet while hoteliers in London have ridden out the storm perhaps better than they expected, others have fared worse. Many restaurants, theatres, clubs, and organisers of conferences and exhibitions have had a bad year and a number have been forced out of business by the downturn in trade.

London cabbies, those traditional if unscientific barometers of business confidence in the capital, have suffered badly, even allowing for their proverbial pessimism.

The clouds of gloom and despondency caused by the slump in business travellers coming to London this year, however, have had a silver lining: those executives that have visited the capital have enjoyed cheaper hotel rates (or upgrades to better rooms), no problems with hailing taxis, and restaurant tables in even the most sought-after places to entertain their business contacts.

But there have been some signs in recent weeks that the worst of the slump is past in the capital. Taxis are becoming scarcer (but not that scarce), restaurants are filling up, and hoteliers are watching occupancy rates climb. To a certain extent this is a seasonal pick-up in the pre-Christmas period and the real test will be the level of business activity in what London taxi-drivers call the "kipper" season, that flat period early in the New Year.

There are other signs of a recovery in confidence in the capital. Mr John Birt, from the London Convention and Visitors Bureau, says that the "conference and incentive market is now picking up after the downturn earlier in the year".

Readers again voted London as their favourite city in which to do business

He reports that many meetings are being scheduled for London often at short notice and especially with continental based companies. "It's too easy to run London down when for many people world-wide it remains one of their top choices for doing business," he adds.

In fact, readers of *Business Traveller* magazine last month again voted London as their favourite city in which to do business, ahead of Singapore, Hong Kong and Paris (in that order). New York has slipped from fifth place in the poll last year to 10th this year.

Londoners, used to the rubbish and transport snarl-ups, may find the results of such a poll surprising. Yet, as Mr Birt points out, many travellers from overseas do not find such problems a deterrent: "London is no worse than many other major cities in this respect and a good deal better than some," he says.

London is also benefiting as an international business destination from gradual improvement in infrastructure. The opening of the new £400m terminal at Stansted airport in North Essex earlier this year, for example, may have come at an unfortunate time in terms of business travel but it has added another option for easier executive access to the capital.

Stansted is a 40 minute train journey from Liverpool Street station located on the east side of the capital, thus complementing Gatwick to the south and Heathrow to the west. While Heathrow obviously has more international connections – especially this year as a result of the Government's policy of ending restrictions on which carriers can use the airport – it is not as accessible for those approaching from east London.

From next June, American Airlines will fly from the US into Stansted (as well as Gatwick and Heathrow) and other carriers such as United Airlines may follow suit. Air UK, the third largest UK carrier, is based at Stansted and provides a comprehensive regional service.

London has also been given a boost this year with the opening of the new Earls Court 2 exhibition complex adjacent to the existing exhibition halls in west London. With its 17,000 square meters of show space it is the biggest construction of its type in the capital since 1945. The new hall can be linked to the existing Earls Court exhibition arena and, together with the nearby Olympia hall, offers 100,000 square metres of space, putting it in contention with some of the other leading exhibition venues across Europe.

The past year has also seen new top-flight hotels come on stream, including the Dorchester in Park Lane, the Conrad at Chelsea Harbour in west London, and the Langham Hilton near Oxford Circus in central London. Next year will see the opening of the 114-room Lanesborough hotel at Hyde Park Corner, part of the former St George's hospital site.

Yet London's top business hotels remain the Savoy Group's clutch – the Berkelely, Connaught, Claridge's, and the Savoy – the Hyde Park Hotel (flagship of the Forte Group), and the Four Seasons Inn on the Park.

The past year has seen the restaurant scene marking time, with the stylish business lunch places in central London remaining the Orso, Ivy and Caprice trio. For more serious business entertaining, the Savoy Grill is still the place for power-lunching. Virtually any day of the week will see top businessmen such as Lord King of British Airways sitting at their favourite tables doing deals. For would-be power-brokers, the top tables are generally placed around the edges of the restaurant; if seated in the centre, then your status has yet to be confirmed in the Grill's hierarchy.

David Churchill

BUSINESS TRAVEL 9

Air taxi operators are struggling to stay aloft, writes **Tim Burt**

Grounded by the recession

DEMAND for air taxis, aircraft hired on a day-to-day basis, has fallen by more than 15 per cent in the past year as the recession has hit business travel, according to Europe's largest charter operator.

Air London International, the UK-based brokers for executive aircraft, says several small charter companies could fail following months of zero growth which has seen pilots' fees cut by up to 30 per cent.

Closures in the air taxi business, which bridge the gap for companies which require corporate flights but cannot afford their own aircraft, are a real possibility as the industry enters the traditionally slack months of December and January, says Mr David Savile, operations director at Air London.

"There's very little money to be made and profit margins are very small," he adds.

Confidence, however, is returning and those companies which survive the current downturn will be better placed to compete in what Mr Savile predicts will be a "leaner, fitter" business.

Operators of air taxis – relying predominantly on short-haul aircraft – hope an end to the recession and expansion by

Some may have to close in the slack months of December and January

companies into new markets will have a positive knock-on effect on their business. Eastern Europe, for example, is seen as an important growth area where executives cannot rely on domestic air services – forcing them to consider corporate aircraft instead.

Every salesman involved in the air charter business pedals one common theme: the time saved against the delays and congestion involved with commercial airlines.

If a company executive who works 2,000 hours a year generates £10m in annual sales, their time is worth £5,000 an hour. At that rate, hiring a private jet to get the executive from London to Venice for a morning meeting and back in the afternoon becomes very cost effective.

The executive would have trouble making the meeting if he relied on airline services – the first commercial flight of the day does not arrive until 2.40pm.

Such equations carry some weight with leading companies. Of the Fortune 500, the US listing of the world's most successful corporations, more than 67 per cent use business aircraft. Mr Jonathan Howe, president of the US Business Aircraft Association, sums up the advantages of corporate charters and air taxis in one neat phrase: "time-critical travel requirements".

Using corporate aircraft, he adds, "enhances the productivity, efficiency, security and time management of today's

They bridge a gap for companies that lack their own aircraft for corporate flights

businesses".

Companies can get increased productivity from their businessmen by making the best use of their working hours. If a corporate charter will get them to a meeting and back again quickly, then many chief executives regard it as a worthwhile investment.

Air charter companies also claim that private aircraft offer far greater efficiency when the business trip involves more than one destination. Air London, for example, arranges hundreds of so-called "roadshows" each year. These involve flying a group of businessmen to several cities in a schedule not offered by any airline.

A US company planning a three-day promotion in Europe would find it easier to charter a jet to fly from London to Geneva, Milan, Barcelona and back to London, than to arrange the trip using scheduled services.

Although the recession has hit the frequency of such "roadshows", the largest air taxi operators think their long-term prospects have been improved by because recent security scares – the Gulf war and perceived threats of terrorism – have prompted more companies to charter corporate aircraft.

According to RM Aviation, an air taxi operator based at Leavesden Airport, north of London, concern over safety has encouraged executives to use corporate aircraft "even for straightforward trips where scheduled services normally would have sufficed".

Mr Peter Roberts, managing director of RM Aviation, says: "Companies using executive aviation for the first time because of the safety issue discovered that by avoiding major airports and flying in many cases virtually direct to their destinations, their executives were becoming increasingly productive."

Avoiding the hubs used by airlines, however, is not such an easy option in Europe as in the US. Business aircraft have a choice of 5,000 US airports compared with about 600 in Europe.

Air charter companies, meanwhile, are facing pressure at the most congested European airports to make way for commercial airlines. At London Heathrow, for example, executive aircraft are offered only opportunity slots – take-off times which cannot be pre-arranged but fitted in between scheduled flights.

Mr Savile at Air London admits "Heathrow is a bit of a nightmare. We can't confirm our departure times." Frankfurt also presents problems "because it is essentially a single-runway airport".

Heavy airport traffic is encouraging more companies to use aircraft based at smaller airfields such as Hatfield or Biggin Hill in southern England. But some executives still prefer Heathrow because of its long-haul connections.

Operators of air taxis, therefore, must have both the financial muscle to operate out of international hubs such as Heathrow – where landing fees are high and subject to surcharges at peak periods – and also the flexibility to serve smaller airstrips.

Following the recession, only a few companies are in a position to offer a range of aircraft suitable for all business needs. Air London, which charters everything from helicopters to jumbo jets, claims it is best placed to pick up business which other operators cannot handle.

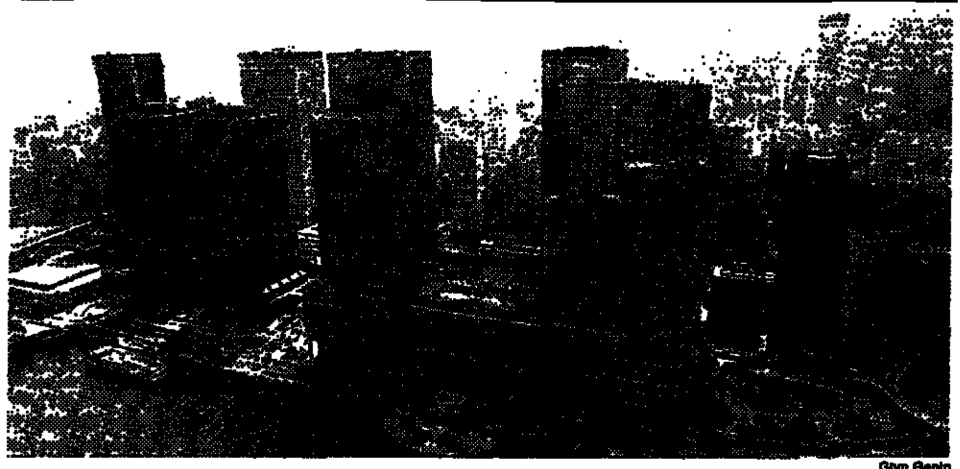
Based near Gatwick airport, it has this year introduced a computerised directory of the world's executive aircraft known as SAL – Systematic Aircraft Location. The system has enabled the company to take a market lead in the air taxi business, arranging charters for clients ranging from Barbra Streisand to BASF, from Reuters to royalty.

Mr Savile, who helped design SAL, says it offers the best access to an annual market for air taxis valued at £600m in Europe and £2bn worldwide.

Competition for that business is fierce and he warns: "We will have to be more aggressive. There are few long-term survivors in this business."

Air London of Crawley: "everything from helicopters to Boeing 747s"

RM's Peter Roberts: "executives are more relaxed than on scheduled flights"



Glyn Genin

Hong Kong convention centre: magnet for new development in the Wangchai district

HONG KONG

Mind the TV aerials

IF YOU are nervous about flying, do not take a starboard window seat coming into Hong Kong. About one minute before landing, aircraft bank steeply to get on the right line for Kai Tak airport, which juts out from crowded Kowloon into the South China Sea.

Passengers are given an intimate view of the life of the colony, as the aircraft's wings seem to flirt dangerously with the roofs of apartment blocks, TV aerials and lines of washing down below. Despite the excitement, the landing is statistically safe. In recent years only one plane, from China, failed to make it and it had approached from the other direction, across the sea.

Travellers will not have to worry about such things for much longer. Hong Kong is embarking on building a new airport, which will remove all the noise and pollution from Kowloon to an unspoiled island to the West. The first of its two runways is due to open in 1997, the same year China resumes sovereignty.

Until then, visitors will have to endure Kai Tak, which is likely to reach capacity in the next two years and already groans under the weight of 20m passengers annually. Early afternoons and evenings are the worst, as peak time arrivals from Europe and Asia clog up the luggage halls and make getting a taxi or bus somewhat of an endurance test. The savvy traveller nips upstairs to grab a taxi from departures.

Despite the airport, Hong Kong remains one of the easiest cities in Asia in which to do business. The colony's business area, camped within and around the financial district of Central, is compact and getting to and from meetings is relatively easy.

English is widely spoken on Hong Kong island, although patience is often required. Telecommunications links are excellent. Hong Kong's per capita usage of faxes and portable telephones is among the world's highest. Portable phones are a status symbol as well as a means of communication, and are therefore usually left "on" during classical music concerts and in restaurants.

Service in the main hotels is very good, and because of an oversupply of rooms, rates are presently coming down. Four new hotels have recently opened close to Central. More rooms are also becoming available in Wanchai, which is now being redeveloped and is home to Hong Kong's main convention centre.

Hong Kong is also international in outlook and information and media coverage is easier to come by than in most other Asian cities. The local English language press provides some insight into daily Hong Kong affairs while, thanks to the dictates of the colonial government, Hong Kong's two TV stations broadcast in English and Cantonese, the local dialect, even though 98 per cent of the population is ethnic Chinese.

Business visitors should remember to bring lightweight clothes. Suits are usually worn for meetings and in the evenings and except for a brief, cool winter around Christmas, Hong Kong is notoriously humid. Also recommended is an extra box of name cards, which form an important ritual exchange at the beginning of business relationships.

Eating out is a central plank of Chinese business, and visitors usually enjoy some of the best Chinese cooking in the world, either in the colony's top hotels or its countless restaurants. Other Asian cooking, stretching from Indian to Indonesian or even Mongolian, is also usually very good. As with other services, such as taxis, tipping is not essential.

The average visitor to Hong Kong stays about four days. This is enough time to pack in the obligatory sights, which include a trip up the Peak overlooking the harbour either by tram or taxi, and a ferry ride across to Kowloon. Both are often better at night, when Hong Kong turns into a neon lit extravaganza.

For those with slightly more time to spare, a visit to the nearby Portuguese enclave of Macau takes 45 minutes by high speed ferry and China is the same time distance away by train, although visas take about two days to prepare.

Then, with all your travellers cheques cashed, go shopping amidst the designer boutiques of Central, vanguard for Hong Kong's reputation as the bazaar for Asia's wealthy.

Angus Foster

Conferences are a prime reason for business travel, writes **David Churchill**

Bookings fall, but the shows go on

CONFERENCE and incentive travel was always likely to be a casualty of the Gulf War and recession and the experience of companies in this sector this year has proved this to be the case.

After buoyant growth throughout much of the 1980s – when travelling to a conference or as a reward became an integral part of business travel – the slump this year has had repercussions for all sectors of the travel industry, from hoteliers and airlines, through to conference organisers and car hire companies.

Mr David Hackett, chairman of the Travel Organisation which is one of the largest organisers of conference and incentive travel, points out that the present recession is primarily a white-collar one. "Many companies therefore feel it is appropriate that they should cut expenditure on white collar people, who are normally the participants in incentive and conference programmes," he says.

Some companies, he adds, believe that employees should be thankful they still have a job. "They feel they cannot be seen to be profligate when they are laying off staff."

But this attitude, he believes, is a short-term response and companies are already returning to the market as they appreciate the motivational benefits of incentive travel and the communication rewards of corporate conferences.

The conference market, however, is likely to feel the impact of the war and recession for some time to come, given the long lead times that some conferences have, especially those involving companies from more than one country or international associations. After the American bombing of Libya in 1987 and the Chernobyl disaster, it took two to three years for the disruption to the international conference programme to sort itself out.

"The effects of the recession will be felt for several years because lead times for many events are very long," says Mr Chris Edwards, business manager of the Queen Elizabeth 11 conference centre in London. "In short, the industry will suffer later and longer than many others."

Mr Edwards points out that the centre's market profile – it is the host of many international conferences sponsored by the government – and its widespread client base has helped it through the recession so far. "But 1992/93 is likely to be a difficult year and even though bookings are beginning to flow again, the recovery will probably not show strongly until 1993/94," he adds.

The importance of the conference industry to the travel business was shown by a report from Coopers & Lybrand Deloitte published earlier this year. Coopers surveyed over 500 conference venues and organisers and estimated the size of the UK conference business at some £6bn a year, six times more than previous industry estimates. This was due to previous calculations under-estimating the size of the meetings market held in hotels.

But even such estimates may disguise the true scale of conference and incentive travel world-wide, especially since many companies disguise incentive trips as a conference meeting. It is a grey area which not only can lead to confused marketing objectives but also raise problems with the Inland Revenue over whether the trip is a true business meeting or simply a perk.

The three most important industries associated with conference and incentive travel – motors, life assurance, and computers – all use travel as a key motivational and communication tool. The annual convention in some exotic destination, for example, is virtually a part of the remuneration package of life assurance sales people.

But while life assurance companies are maintaining the offer of such rewards, there is some indication of a trend towards lower targets and lower rewards to match. Top achievers are the ones who now get the suites and extended stays in resort hotels.

New research carried out under the auspices of the Manchester Business School, based on a survey of 436 companies involved in organising corporate meetings, found that most perceived conferences as "an integral part of company communications".

But, as Mr Paul Swan, managing director of conference production company Spectrum Communications, points out, "companies are looking for more cost-effectiveness from their conference meetings".

He says that "although a greater diversity of employees, customers and dealers are participating in conferences, the numbers attending individual events are smaller as organisers take more care to ensure that only those for whom they are relevant are invited".

Events are getting shorter too, he adds. "This means that more attention has to be given to getting the message across with impact in the time available."

Mr Hackett, from the Travel Organisation, also points out that the reduction in budgets and desire for better value has led to a switch in emphasis to the American destinations of New York and Florida which offer particular value. Low transatlantic air fares, helped by the introduction of new carriers, and the value of US hotel rooms has helped this trend.

"Because any American hotel will automatically have a bathroom, air conditioning and colour television in all rooms, it is not always necessary to select the top range properties," he points out. "We have been achieving accommodation rates of around £35 a head per night – a price that is virtually unmatchable by any European city locations and compares favourably with resort prices even in Spain."

Florida is a particular favourite, especially those events centred on Walt Disney World in Orlando. One in 10 visitors to Orlando is on a conference trip: Japanese car manufacturer Toyota, for example, has used the new Swan Hotel in Disney World (owned and managed by the Westin hotel company) to hold international sales conferences. Westin operates a scheme called the Golden Gavel which gives conference and incentive guests priority and extra help.

Disney has also belatedly recognised the benefits of conference and incentive business and has this year opened several new meetings facilities on its property. It is also hoping that the magic of Mickey Mouse will lure conference business to its new Euro Disney resort outside Paris which opens next April.

Ashley Ashwood

Annual ritual: lunchtime at the Institute of Directors Albert Hall convention, London

Clive Cookson researches ways to avoid or minimise jet lag

Those rhythms and blues

EVERYONE'S body rhythms are disrupted by flying east-west or west-east across several time zones. Not even those macho travellers who claim that jet lag is for wimps are really immune from its effects.

Unfortunately there is no cure for jet lag, apart from the passage of time. But travellers can take steps to speed up the process by which their own rhythms become attuned to life around them.

Research over the last 20 years has shown that all living things from protozoa to people have complicated circadian rhythms controlling many biological processes. In human beings the internal clock which maintains the main daily rhythm is believed to lie in the brain's hypothalamus, though no one knows how it works.

The internal clock has evolved to run slightly more slowly than real time. It is synchronised constantly with the pace of real life by environmental cues including daylight, physical and social activity. In laboratory experiments people living in constant artificial lighting, without any clues about what is happening in the outside world, settle down to a free-running cycle of about 25 hours per day.

(The slow-running nature of the body clock suggests that, everything else being equal, jet lag should be worse flying east than west. The eastward traveller experiences a shorter day and has to move his or her internal clock forward – against its natural inclination. The westward traveller, on the other hand, has to slow his clock down.)

No drug is available to re-set the internal clock instantly to a new time zone. The one that comes closest may be melatonin, a hormone known to be involved in circadian rhythms. Research at the University of Surrey and elsewhere suggests that melatonin, taken by mouth in the evening after a long-distance flight, helps to give a good night's sleep and speed up synchronisation. Although melatonin has no known side effects, it is not commercially available.

However several pills and potions are sold as jet lag cures. They include various combinations of amino acids, essential oils and other dietary supplements. They may do some good especially if you believe in them – the "placebo" effect can influence the brain quite strongly – but none has been proved scientifically to prevent jet lag.

Light therapy may be a more promising approach than drugs. Daylight is the most powerful natural synchronising stimulus for the body's internal clock, and scientists have demonstrated recently that bright artificial light can re-set it.

Experiments at Harvard University show that the internal clock is most sensitive to light at the point when the body temperature is at its minimum. That is normally towards the end of the night, at about 5am. A period of bright light shortly before the minimum delays the clock; after the minimum, light advances the clock.

These results mean that the traveller needs accurate timing to ensure that he or she gets bright light at the right time. Too soon or too late – and the body clock may be pushed in the wrong direction.

Take, for example, a businesswoman who has flown from New York to London. Her temperature minimum is at 5am New York time, or 10am London time. She needs to advance her internal clock by five hours. So she should avoid bright light before mid-morning (London time) and then go out into daylight for a couple of hours before lunch.

Such activity may of course be incompatible with business meetings. And it is impossible to avoid daylight at just the wrong point in the circadian rhythm if you arrive at London at dawn on an overnight flight from New York. Better to fly during the day, arrive in the evening, go to sleep – and, when you wake up the next day, keep the curtains firmly closed until mid-morning. (As a general rule, if there is a choice between daytime and overnight flights, choose the former.)

For a businessman flying in the opposite direction, from London to New York, the sensitive point is midnight New York time (5am London time). He needs exposure to bright light for a period before then, to set back his internal clock. In the summer a period in the evening sunshine may do the trick but in winter he will need a bright source of artificial light; it should be about 10 times stronger than an ordinary room light, equivalent to daylight an hour or so after dawn.

Glyn Genin

O'Hare airport, Chicago: bright light makes a difference

In due course, research into the relationship between light and circadian rhythms may find commercial expression. Compact light sources will be combined with sophisticated timers to tell the traveller exactly when he needs a burst of artificial sunshine. Until then the advice is for the westward traveller to go out into the daylight for a couple of hours before dusk. The eastward traveller needs daylight around the middle of the day.

More generally, the best way of fighting jet lag is not to rest more than usual but to pursue an active routine of work and play, following the same timetable as local residents. Eat, drink and sleep when they do.

The aim is to reinforce all the social and environmental stimuli which re-set the body clock. If experience shows that jet lag severely disrupts your sleep patterns, then it may be worth asking your doctor to prescribe a mild sleeping pill to take for two or three nights after arrival.

And exercise as much as possible. There is good evidence that physical activity speeds up the synchronisation process and reduces jet lag.

GREATER MANCHESTER

Tomorrow the world

Oriental flavour: a ceremonial gate at the entrance to Manchester's Chinatown

MANCHESTER was confirmed by independent research last month as Britain's biggest provider of financial and professional services outside London. Edinburgh, Glasgow, Leeds, Birmingham and Bristol each had excellence to offer, but Manchester scored best across the board as a full-service city.

Rapid growth of such services in all main British regional capitals in the last decade has been fuelled partly by London's international role creating room for cost-effective competition at home.

At the same time, domestic demand has grown as the mergers, acquisitions and management buyout markets have developed at regional level, while back-office work in banking and insurance has been cheaper to do anywhere that rents are lower than London's.

It is no accident, therefore, that Manchester now houses the largest regional concentration of international banks facilitating world trade and money transfers, as well as the largest group of venture capital professionals working in regional domestic markets.

The international flavour of industrial, commercial and professional life, however, is nowhere more obvious than at Manchester Airport, which claims to be the fastest-growing in Europe.

Delta Airlines started a new direct service to Atlanta this year and carried 10,000 passengers in the first four weeks. American Airlines' four-year-old Chicago route is now its most profitable across the Atlantic. The market is so strong that this year American Airlines was able to start flying between Manchester and New York in competition with British Airways.

Meanwhile, Aer Lingus has, in effect, made Manchester its home base, offering direct peak-time services to six European cities and thus getting over the problem of having too small a home population to run them economically from Dublin.

Indeed, these are merely this year's new developments at the airport, along with new direct scheduled services to Toulouse, Rotterdam, Hamburg, Stuttgart and Billund (in Denmark). There are now 41 airlines offering 72 scheduled destinations to 4.5m mainly business travellers a year.

Manchester itself is a conurbation of 2.5m people, but more than 10m more are within an hour of its airport, many of them in the economically significant 75 miles of M62 corridor between Liverpool and Leeds. Manchester is therefore a gateway to more than 15 per cent of UK gross domestic product. The business travel goes both ways.

The knock-on effect into Manchester itself has seen a rapid shedding of most vestiges of provincialism in the last few years. In the early 1980s, for example, Manchester was short of good hotels, with the Portland Thistle and the Piccadilly benefiting.

Then local developers turned an old cotton warehouse into the Britannia Hotel. Holiday Inn, aided by urban funding, transformed the faded Midland Hotel into an outstanding example of its luxurious international Crown Plaza brand. Ramada took over a redundant office block in the city centre to create the Renaissance.

Manchester city council developed a city centre strategy that encouraged more pedestrianisation of shopping areas and cleaner streets. A century of grime was cleaned off public buildings. The city's Chinatown, now Europe's largest, is a cheerful, almost startling cluster of neon-lit streets dominated by a gigantic dragon-gate. Upmarket shops cater to a growing, moneyed middle-class making its living from Manchester's growth.

Good quality restaurants such as The 39 Steps, Sam's Chop House, the Yang Sing in Chinatown, Cesare's, the French Room at the Midland, and Harper's stand comparison with anywhere.

On top of all this, Manchester's city centre is almost entirely "walkable" – and safely so at night, when there are always plenty of people about as the theatres and cinemas also do good business. A new concert hall for the Hallé Orchestra is planned as the cultural development of the 1990s.

Anyone who has travelled will have been to many less hospitable places, with less to offer by way of comfort, shopping, entertainment, culture and repast. Comparison with several north American regional capitals grows increasingly favourable. An international city is emerging.

However, Greater Manchester cannot be viewed in isolation. It has grown and strengthened as the capital of northern England partly because of its location midway between Liverpool and Leeds. Where these three once competed fiercely in all fields – and still do in some – the ability to travel easily between them has changed all that.

The M62 has been the key to this development. Completed only in the 1970s, it runs from Liverpool to Hull and its socio-economic significance is that it has given northern England its first all-weather transpennine route. Exceptional blizzards closed it once, but they also shut down much of the rest of Britain too.

Liverpool to Leeds takes 90 minutes or less. Manchester is about 40 minutes from either. Other motorways link with the M62, creating a network that should be comprehensive by the mid-1990s.

The M56 links Manchester to Chester and North Wales, and the M63 and M56 combine with the M62 to almost encircle Manchester. The circle will be completed when the M56 is eventually joined to the M62 in the east. This latter development will put Manchester Airport – which lies on the M56 – only 45 minutes from Leeds and Bradford.

The business traveller can thus make Manchester his or her base and reach all points within the M62 corridor easily. A scenic route through Derbyshire also puts Sheffield an hour away by road.

By the same token, however, the road network makes it almost equally practicable to use Leeds, Liverpool or even Chester as a base for doing business in the busiest parts of northern England.

Leeds has access to North Yorkshire and the dales if there is time for leisure, while Chester offers some of the best shopping anywhere in Britain.

Indeed, business tourism has become big business itself as all of the cities have sought to improve hotels, restaurants and the quality of entertainment to encourage business travellers to spend more time and money. This is a fast-growing services sector run by people who have learned what business travellers expect.

Ian Hamilton Fazey

David Churchill on how hotel chains braved the storm

Cut rates and more extras

AFTER a decade when the worldwide hotel industry experienced unprecedented growth rates – apart from the hiccup in 1986 after Chernobyl and the Libyan bombing – the events of the past 12 months have brought the international hotel chains back to some reality.

No longer can they rely on a seemingly endless supply of business travellers willing to pay ever higher prices for accommodation – business travellers, moreover, who supply at least two-thirds of the year-round occupancy in most leading hotels.

Business travellers are coming back, according to most hotel chains, but with a caution that makes the recovery in trade look fragile. The Sheraton hotel chain, for example, says that the Gulf War probably masked the more long-term impact of the recession in the US and UK on business travel.

Mr Jonathan Bodlender, chairman of hotel consultants Horwath Consulting, also reports that "the Gulf War exacerbated the situation and turned the inevitable poor trading at the beginning of this year into a hefty downturn and a temporarily disastrous loss situation".

Although he acknowledges that the recession in the UK has been worse than elsewhere in Western Europe, he points out that "in other West European countries the hotel industry is not presently booming either, and indeed is experiencing a downturn".

The response from hoteliers has been twofold: either cutting prices or adding value, and sometimes a combination of both. The price cutting route came to the fore during and after the Gulf War, when many hotel chains seemed prepared to negotiate rooms at low prices when occupancy rates slumped to 25 per cent or lower.

"During the recession, it is necessary to discount room rates and try to balance your financial position," says Mr Eric Hilton, president of Conrad Hotels. "But recessions are only temporary; they normally last 12 to 24 months, although this one might be longer, it won't be for ever."

Sheraton is among those targetting special offers at those most likely to take them up.

Others, however, have eschewed discounts. "We don't believe in cutting our prices when times are bad because it is difficult to bring them back to realistic levels when the market improves," points out Mr Peter Bates, marketing director of the Savoy Group of hotels (including the Berkelely, Connaught, Claridge's and the Savoy in London, the Lygon Arms in the Cotswolds, and the Lancaster in Paris).

The Savoy Group, instead, moved towards adding added value benefits for business travellers, such as limousines to and from the airport.

Wooing the business traveller, however, is increasingly going to be the name of the game in the 1990s. "In an increasingly competitive marketplace, our objective is to retain the business traveller so that he or she becomes a repeat guest," says Mr Bernd Chorengel, president of Hyatt International. "It is very important that we meet their expectations on the first and every subsequent visit."

Mr Hilton agrees: "We think the corporate traveller basically is looking for consistency: he or she wants to be assured of receiving a certain standard of service and product every time they stay in a Conrad."

Above all, hoteliers, like the airlines, now increasingly understand that business travellers want to be recognised. Regular business users of Forte hotels, for example, can get a guaranteed room reservation if they book in advance. Hilton International, part of the Ladbroke Group, has a special club for frequent guests which entitles them to special benefits.

Copthorne Hotels, owned by Air Lingus, also claims to be the first international hotel chain to introduce dedicated business apartments in its hotels. It believes that the problem with doing business in a traditional hotel suite is that the adjacent bedroom often intrudes too much, making the environment less "business-like". Copthorne's business apartments were first introduced into its flagship property, the London Tara, last summer and are now being extended to four other hotels in the group. Each apartment is a completely separate office, with the bedroom well hidden.

Hotels increasingly recognise that they have to woo new markets. The rush of euphoria after the opening up of Eastern Europe in recent years has given way to a more sober assessment of the potential for the market. All the leading chains are moving ahead with developing hotels in Eastern Europe, but the expansion rate has slowed as the problems of building or acquiring hotels are revealed.

The hotel chains focus, however, has switched to tapping into the Japanese market: Japan is seen as having the most potential for international travel in the 1990s, especially because the Japanese are one of the least travelled populations.

"Japan represents one of the most exciting travel opportunities of the decade," says Mr Michael Hirst, chairman of Hilton International. It has just launched a new service – called the "Wa No Kutsurogi" service (meaning comfort and service, the Japanese way) – in almost 50 of its international hotels. The idea is to make Japanese guests feel more welcome and secure with Japanese speaking staff and information written in Japanese on menus and fire safety instructions.

The Japanese, moreover, are also expected to become big players in the world hotel industry as their population travels more widely. Already the Japanese company Seibu-Saison owns a majority stake in the Inter-Continental chain, with other Japanese investors building up joint ventures and deals with chains such as Marriott and other US-based hotel groups.

Profile: FORTE

Shaking up the sector


Rocco Forte: a bold stroke

AMID the doom and gloom at the beginning of the year, one man was quietly preparing to announce a shake-up in the hotel sector, in the UK and internationally.

News of the new strategy being masterminded by Mr Rocco Forte, chief executive of what was then called Trusthouse Forte, began to filter out before the official announcement in May that the company was to be renamed as simply Forte (which took effect at the beginning of June) with a greater emphasis on tackling specific market niches while at the same time ensuring customer loyalty through the use of the Forte brand name.

It was a bold stroke – estimated to cost the company some £15m – at a time when most in the hotel sector were still counting the effect of the war on occupancy levels. But the move reflected the change in tempo at the UK's largest hotel grouping and one of the top 10 chains in the world. Forte now has more than 800 hotels worldwide: over 300 in the UK; 40 in continental Europe, the Middle East and the Caribbean in total; and about 500 in North America, mostly Travelodges.

After a decade when the company's energies seemed sometimes to be dissipated by the vitriolic dispute for control of the Savoy Group of hotels (in which Forte owns about 70 per cent of the equity but a minority of the voting stock), Forte now has emerged as an aggressive player on the international scene.

Last year it snapped up the 43-strong four-star Crest hotel chain from Bass for £300m to consolidate its grip on the UK corporate travel market. At the same time, it announced a joint venture deal in Spain to build Travelodge budget hotels along with the Spanish petrol retailer, Repsol.

But it has been the re-branding exercise which Mr Forte and his colleagues – including an influx of new marketers from outside the hotel industry – have concentrated on as the core to the company's growth in the 1990s.

Under the re-branding, all its hotels are being segmented into particular, easily identifiable categories – a process which involves some switch of existing hotel names as well as the sale of 32 hotels which fit into none of the niches.

One of the first by-products of Forte's new market-driven approach has been its adoption of the US hotelier's policy of charging by the room rather than the number of occupants. At the Posthouses, a room now costs a standard price of £49.50 from Sunday to Thursday, whoever books it and however many in the room (in effect a maximum of two adults and two children). On Friday and Saturday nights the rate drops to £39.50 to encourage leisure travellers.

If the move proves successful – and early indications are that it is – then it is likely the tactic will be adopted by other Forte brands, such as Crest.

But the decision to drop the Trusthouse part of the corporate name and concentrate on Forte was also an integral part of the marketing plan.

It was chosen after careful research, the company says, as the most suitable name to spearhead Forte's expansion overseas. The name, for example, means strength in Latin-based languages; moreover, the acronym THF registered poor awareness overseas.

Forte has been rather tardy in the past in expanding overseas – its UK rival Queens Moat Houses, for example, has shown the way by its successful moves into the Continent. Forte's main foray overseas in the 1980s – the Travelodge chain in North America – had to be pulled round in 1987 by the strong management skills of Sir Ian MacGregor.

Holding the company back in the past has been its policy of buying freehold hotel properties rather than following the tactic of other hoteliers in taking on management contracts. Now Forte is more flexible, undertaking joint ventures on the Continent and in South America as well as being willing to take on management contracts for hotels it does not own.Over the next decade, there seems little doubt that Forte will take its place on the world stage for hotels.

David Churchill

The **David Churchill** guide to guide-books

Hard facts in soft covers

WHEN travelling on business what are the most useful guides for the executive? The following is not definitive but only a guide (in no particular order) to some of the many books on business travel which range from the essential to the interesting.

ABC Executive Flight Planner
This is the pocket bible for air travellers who want to work out their flight details themselves.

With more than 300,000 changes to scheduled flights each month, a regular copy of the flight planner is a valuable help to the frequent flyer.

The guides are published in three pocket-sized versions, covering Europe, Middle East and Africa; Asia and the Pacific; and the Americas.

The print may be a trifle small, but the planners list all the scheduled flights in those three regions, enabling eleventh-hour changes to itineraries.

The planners are a condensed version of the ABC World Airways Guide, aimed primarily at the travel agent or in-house travel department because of its size, which co-ordinates scheduled flights from some 740 airlines worldwide. It includes details of minimum connection times, flight routing, fare rules, and mileage (important for frequent flyer programmes).
Executive Flight Planner, £7 each or £65 a year; from Reed Travel Group, Church Street, Dunstable, Bedfordshire, LU5 4HB.
Tel: 0581 600111.

ABC Rail Guide
This is the most useful guide to UK rail services for the business traveller travelling either to or from London – as well as being the source for the Agatha Christie novel, *The ABC Murders.*

The guide lists fares and provides complete timetables for London and south-east train services.

However, it is rather short on European rail services – a better guide for these is Thomas Cook's European Rail Timetable.
The ABC Rail Guide, £7 per copy by post (including packaging) and £4.50 from railway stations or bookshops.

An annual subscription costs £65 and is available from the Reed Travel Group at the above address.

The Thomas Cook European rail guide costs £90 a year on subscription or £6.45 for individual copies, from Thomas Cook, PO Box 237, Thorpe Wood, Peterborough, PE3 6SB.
Tel: 0733 268943.

How to Find Your Way Around the World
This guide, published by Thomas Cook, is aimed at those with little knowledge of the business travel world and who, like secretaries, need to know the terms and basic rules of business travel.

As such it is a very basic book for regular business travellers and is intended as the first of a series of reference tools for those who have to book corporate travel. It offers explanations of the terms used by airlines, hotels, and car rental companies when detailing the services they offer to business travellers.

The guide is available both on computer disk format – on an IBM or compatible personal computer – or as a booklet.
The disk or guide costs £4.95 from Thomas Cook Travel Management, PO Box 36, Thorpe Wood, Peterborough, PE3 6SB.
Tel: 081-759 8575.

The Traveller's Handbook
This is a valuable handbook running to more than 850 pages packed with useful articles on all aspects of travel, with very detailed advice on all the practicalities of travel that people take for granted until something goes wrong.

For business travellers especially there are sections on visas, currency restrictions, and health matters.
The handbook costs £11.95 and is published by Wexas, 45-49 Brompton Road, London, SW3 1DE.

International Air Travel Handbook
This useful guide for air travellers, sponsored by Pickfords Business Travel, provides a comprehensive list of business class services on most leading airlines – such as seat pitches and baggage allowance – as well as a country by country guide listing vital facts for the business traveller.

A small editorial selection includes helpful advice on what to do if things go wrong.
Published by the Reed Travel Group (address above) price £13.

The Director's Guide to Travel Management
This booklet is sponsored by American Express and therefore obviously has a slant *towards its views on travel* management systems. However, the 78-page guide has an interesting second section including sections on your rights as an airline passenger or hotel guest.
Available from Book Department, Director Publications, Mountbarrow House, 6-20, Elizabeth Street, London, SW1 9RB, price £9.95.

Airports Guide Europe
This helpful book, produced by Thomas Cook, provides detailed information on 75 leading European airports, including plans of the main terminals maps of airport locations in many cases. Other information includes car parking facilities, banking services, and hotels.
Available from Thomas Cook (Box 237) at the above address, price £6.95.

Which? Hotel Guide
The great advantage of this guide, published by the Consumers' Association, is that not only are the hotels only recommended by readers but that it offers the business traveller the chance to stay in more individual properties than the typical chain hotel.

The drawback, of course, is that the guide only covers the UK; continental travellers will *find the Michelin guides comprehensive* but a little short on the descriptive element that characterises UK hotel guides.

Sister publication to the Which? Hotel Guide, the Good Food Guide is an indispensable aid to the business traveller. The guide lists all the leading London restaurants and has at least one entry for all main towns and cities through the UK.

Being chosen primarily for the food, they provide a more stylish alternative to the inevitable hotel food that is most business travellers' fare.
Both are published by the Consumers' Association and Hodder & Stoughton and are available from bookshops at £12.95 each.

The Conference Blue and Green Books
These may be rather specialist in nature, appealing mainly to conference and meetings organisers, but they are essential working guides to virtually all venues in the UK. The Green Book covers those venues offering something out of the ordinary – such as historic buildings or hot air ballooning – while the Blue Book deals with technical aspects of conference venues.
Available from Benn Business Information Services, PO Box 20, Sovereign Way, Tonbridge, Kent, TN9 1RQ.
Tel: 0732 362666. Price for both volumes £55 in the first year, thereafter subscribers receive it free.

Fodor's Guides
Travelling to a new country or city can be a rewarding experi*ence for the business traveller,* although it helps to take advantage of a general travel guide as well.

The American-based Fodor's collection is well-suited to business travellers, describing top hotels and the best restaurants as well as the tourist sights worth visiting. There are many similar guides on the market, however, so it is best to experiment with several to find one whose style you are happy with.
Fodor's is available from most bookshops.


Glyn Genin
Aerial view of Toronto with the SkyDome in the foreground

TORONTO

Safe, clean and efficient

ALTHOUGH Toronto lacks the vibrance or charm of some other cities, it does offer the business visitor a combination of safety, cleanliness and efficiency not often found in North America.

The past few years have stretched the resources of Canada's biggest city to the limit. The prosperity of the 1980s strained housing and transport facilities. It blighted the shore of Lake Ontario with high-rise apartment buildings, and *pushed up centre-city parking* rates to exorbitant levels.

More recently, the recession has swollen crime and unemployment rates. A squeeze on public sector spending is forcing the municipality to trim many services. But for the visitor passing through, there are few obvious changes beyond the For Lease signs in front of almost every downtown office building.

It is still safe to be out after dark (though women would be wise to avoid quiet, dimly-lit streets). The subway system remains the envy of many North American urban transport operators. The worst of winter can be avoided by using the vast system of subterranean shopping arcades to walk *from one downtown appoint*ment to the next.

Toronto has, however, become one of North America's most expensive cities for the foreign traveller. The strong Canadian dollar (C$1: $0.88), Canada's new 7 per cent Goods and Services Tax and an unrelenting rise in labour costs are among the culprits.

According to a survey earlier this year by Corporate Research Group of Geneva, the cost of living in Toronto matches New York. The business visitor staying in a top hotel should count on spending C$350-C$400 a day, including a lunch or dinner for two.

There are some relatively painless ways of cutting costs, however. Public transport is excellent. *During rush hours,* the subway is often quicker than taking a taxi. Travellers should avoid the airport taxi cartel, which charges far higher fares than normal city cabs.

Airport buses run frequently at a fraction of the cost of a cab. Renting a car is unnecessary, unless one has appoint*ments in outlying suburbs.* In that case, it may be most convenient to stay in one of the first-rate hotels in the dormitory towns of Mississauga (west of the city), Scarborough (east) or Richmond Hill and Markham (north).

Breakfast can be eaten more cheaply – and in some cases, more pleasantly – in a delicatessen than a hotel. One favourite in the financial district is Shopsy's, at the corner of Yonge and Front Streets.

The notoriety of Toronto winters is not fully deserved. Daytime temperatures seldom drop below minus 10 deg C, making it less cold than most other Canadian (and even some US) cities.

Although a heavy overcoat, gloves, overshoes and a hat are *essential, keen swimmers* should also pack their costumes. Several hotels have indoor swimming pools. With a little effort, even a mid-winter visit can produce more pleasant memories than icy pavements and a streaming nose.

The city is dotted with ice skating rinks, including one adjacent to the city hall, which have skates for hire. A walk through one of Toronto's many green belts after a fresh snowfall is a magical experience (provided you are dressed properly). The climate is most pleasant however, in late spring (May and June) and early autumn (September and October). Summers are always spoiled by several weeks of very hot, sticky weather.

Downtown hotels include: The King Edward (phone 416-863-9700), L'Hotel (phone 416-597-1400) and, on a lower price range, Novotel (phone 416-367-8900). The Four Seasons (phone 416-964-0411) is in the shopping district of Yorkville. For something a little more exotic, book a room overlooking the baseball field at the SkyDome Hotel (416-360-7100).

Business lunch recommendations in the financial district include the King Edward Hotel's Cafe Victoria, the Acadian Room on the top floor of The Bay department store (corner of Bay and Queen Streets), and the dining room at the Hotel Victoria (56 Yonge Street). More informal (but still a business favourite) is the *Senator Diner, adjacent to the* more upscale Senator restaurant on Victoria Street (no bookings taken).

Business lunches normally start around noon and most Canadian business people appreciate being back at their desks by 2pm. The influx of immigrants in recent years has brought Toronto some superb *ethnic restaurants. The Bang*kok Garden (18 Elm Street) has a reputation as one of the finest Thai restaurants outside Thailand. For an excellent Italian meal, try Biagio (155 King Street East).

Bernard Simon

NEW YORK

Core problems

POOR old New York! It is still one of the world's most exciting cities and ranks as one of the three biggest business capitals (along with Tokyo and London), but unfortunately the Big Apple is going through a rotten patch.

The problems facing New York include a local economy that is harder hit by recession than most parts of the United States and a municipal fiscal crisis that is so severe it is affecting the city's ability to maintain the most basic infrastructural and social services.

These problems are highly visible. As soon as one begins driving into town from Kennedy, La Guardia or Newark airports one experiences some of the worst potholes and most dilapidated bridges to be found in a late 20th century Western industrialised city. The city's hapless Mayor David Dinkins is floundering as he threatens to close city parks, sack fire fighters and to turn off of some street lights in his disorganised and nearly fruitless scramble to sort out the prospective budget deficit.

The visitor arriving in New York is also treated to the sight of some of the estimated 80,000 homeless individuals who sleep on the streets. Thanks to a combination of federal and local cuts in the welfare system and inadequate funds for housing and the treatment of drug addicts and AIDS victims, the homeless can now be found in almost every part of the city - hustling, begging, stealing and camping out in makeshift homes of cardboard boxes.

New York's boom in the 1980s was, of course, proportionally greater than elsewhere in the US. Now the city's business community is like a battlefield of fallen victims, be they convicted Wall Street crooks, discredited real estate hustlers such as Donald Trump or once-grand chief executives such as Citicorp's John Reed and American Express's Jim Robinson, the fallen idols who are both swamped by a variety of financial and management problems.

The recession has decimated the real estate market and led to massive layoffs among corporate lawyers, investment bankers, stockbrokers, and in the worlds of advertising, publishing, marketing, commercial banking and government.

Since the glitz is gone, so are the big spenders. Retailing is in the dumps and forecasters are predicting one of the worst Christmas seasons in years. Tables are abundant at restaurants that were once impossible to get into. The theatre district is reeling. Night clubs are barren. Art galleries are also suffering and several big names in the Soho district are rumoured to be on the verge of bankruptcy.

It is, of course, possible blithely to ignore all of the above if one is whisked straight off the Concorde and into a helicopter for the brief ride from Kennedy Airport to midtown Manhattan, if one's stay revolves about corporate board rooms and a suite at the Towers wing of the Waldorf Astoria, with perhaps a brief stroll up Park Avenue to take lunch at the Four Seasons on 52nd and Park. For those businessmen who do not live in the stratosphere, a bit more planning may be in order.

Here are a few hotel and restaurant tips for the business traveller who is on a moderate expense account:

● The Hilton on Sixth Avenue and 54th Street remains a favorite among mid-priced hotels, and is more pleasant than the huge and anonymous Sheraton City Squire (Seventh Avenue and 57th).

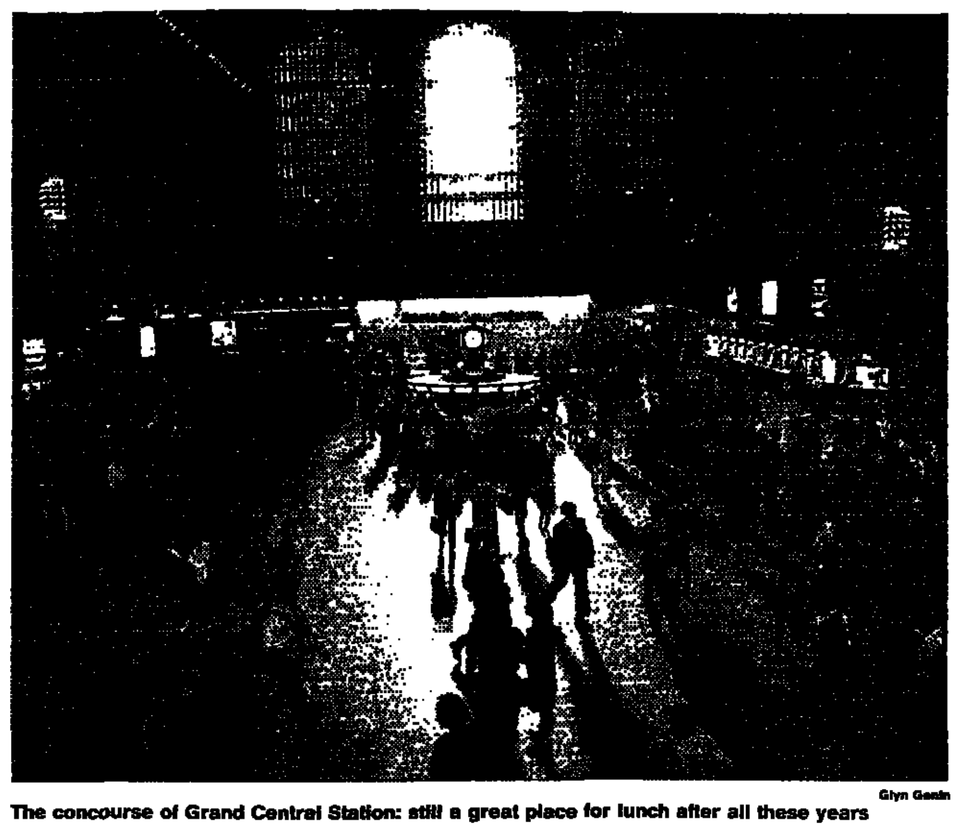
● The businessman wishing a reasonably priced bedroom-and-lounge suite, useful for longer stays, should consider the Surrey Hotel on 76th Street and Madison Avenue, or the more economical Embassy Suites Hotel on 47th Street and Broadway.

● The most cheerful of the cheaper hotels is the Days Inn on 57th Street and Ninth Avenue. A great standby, although offering more charm than service, is the modestly priced Algonquin Hotel, on 43rd Street.

● Avoid the supposedly chic and over-rated New York version of Milan's Ristorante Bice (54th Street), a "power" spot for businessmen that features inflated prices and overcooked pasta. Try instead the epicurean delights of Paper Moon (58th Street) or Harry Cipriani (Fifth Avenue, on the ground floor of the Sherry Netherland Hotel).

● Take a contact you don't need to impress to lunch at the Grand Central Station Oyster Bar, still great after all these years.

Alan Friedman



Glyn Genin

The concourse of Grand Central Station: still a great place for lunch after all these years

David Barchard sees a switch to charge cards

DIY option to cut the costs of travel

THE CORPORATE card market, for many years on the fringe of the payments card business, is poised to grow strongly in the 1990s. But many companies have yet to wake up to the cost savings that can be achieved through corporate cards.

Mr Alan Goodham, head of travel at Barclays Bank which issues its own Visa business card, lists the benefits of a corporate card: "Firstly there is increased cashflow control and the streamlining of back office operations controlling expense claims. You don't need to control cash and you don't need to have a paper chase. It is incredible what it costs companies to fund their employees' own expnses. With a card, that cost is born by the card company," he says.

The corporate market travel market is much larger than is generally appreciated and is growing rapidly. American Express says that business travel and entertaining (T&) makes up between three per cent and six per cent of Gross Domestic Product in France, Germany, Netherlands, Switzerland, and the UK.

After salaries and data processing, business travel is the third largest controllable item in the operating costs of companies. On average a third of company employees make some domestic trips on business and one in 10 travels internationally. T&E costs per employee average around $2,000, with smaller service companies spending the most.

Companies tend, a survey by American Express reveals, to believe that T&E costs will rise faster than company revenues. Why then do many companies still view the corporate card with indifference? "The thing that surprises me is that the bulk of the UK corporations have not ever really thought about using a corporate card. It seems to be something they stumble across," says Mr Alan Goodham at Barclays Bank. He believes that companies devote relatively little thought to their business travel costs because they are split between different departments.

They also perhaps fear that as happened in the early days of the credit card business, a company card will be a license for some individuals to overspend rather than a tight cashflow control tool.

Traditionally American Express has been overwhelmingly dominant in the business card market with a market share around 52 per cent in the UK. Its dominance will not easily be overcome by other entrants into the market.

One coup for American Express this year was the decision by Lloyds Bank to make its new corporate card an American Express card.

"We were in no mood to put lots of bells and whistles on a product that might be a lossmaker and, having looked very carefully at the various offerings in the market place, we decided that the Amex are the market leaders and that it was better to join them rather than try and beat them and offer the best that was available to our customers," says Mr Gerry Hawkings, general manager at Lloyds Bank. Lloyds – who joined Visa International in 1987 – might have issued a Visa card, but Amex's network of travel agencies and international back up services seems to have tipped the balance in its favour.

Lloyds' decision to enter the market is a sign of the times. Banks until recently have viewed corporate card products with little enthusiasm, regarding them as dog products unlikely to be able to stand on their own feet financially. "It is not a big market and there is not a lot of money in it," says one banker.

Because of these doubts banks until recently put little or no effort into the development of corporate card products which could compete against American Express and Diners Club.

Despite this, large banks increasingly recognise that a corporate card is an important element of relationship banking in the commercial market.

In the late 1980s, in contrast to the previous lack of product development in the corporate card business, card issuers and companies began looking for ways to enhance their corporate card products. The result has been the appearance of a new generation of company cards which are co-branded with airlines, thereby generating benefits for both the airline and the card issuer. The first of these new cards was a co-branded Diners Club launched with SAS, Scandinavian Airlines.

Diners has since gone on to issue a co-branded card with British Airways. Alitalia has launched a card with Servizi Interbancari with the CartaSi branding.

Air Plus, the payment card for frequent travellers on airlines participating in a common booking scheme, seems to be losing ground. Though it can offer customers better baggage facilities and other enhancements, Air Plus can only be used as a payment card for travel and entertainment and companies seem to want a card which does more than just pay for tickets.

"Diners is very attractive to us because of its corporate portfolio. The main reason is that they have very good core business for the card. Diners have worked very closely with the travel agency community as both a customer and a distributor," says Mr Tony Stewart, general manager, British Airways Diners Club.

The whisper on the market now is that airlines still in the Air Plus scheme are looking for a payment card enhancement.

The obvious course would be a link-up with a card system such as Visa or American Express (which already has some marketing links with KLM and Air France). A more intriguing possibility could be a tie up with JCB, the Japanese charge card, which is now expanding in North American and European markets.

A co-branded card enables the airline and the charge card company to tract the spending performance business travellers more fully than either can do alone. They also take the paperwork out of frequent flier programmes.

British Airways says that take up of the card among large companies in the UK has exceeded expectations. Around 65 per cent of its customers in the lodge market (company business account cards held with a travel agent such as Thomas Cook or Pickfords) now use the card for what is effectively factoring.

It is not only companies who benefit. The success of the airline cards has given a boost to Diners Club, American Express's smaller rival after years of being eclipsed. A snag is that Diners' network of retailer outlets is relatively small and confined to the upper end of the market which could sometimes cause problems for card holders in some countries. Their large retailer bases may eventually hold the key to advances by Visa and MasterCard in the business travel-market.

Profile: the Hyatt hotels group

Three-tier strategy

WHEN the Hyatt Regency hotel opened in Birmingham last year, adjacent to the city's new international convention centre there was an embarrassing small gap between the hotel and the connecting overhead walkway to the centre. The mistake (not the Hyatt's) was quickly rectified; but the mere fact that it was the Hyatt to which this had happened gave the story wide currency in hotel circles throughout the world.

The reason was that Hyatt has built up a well-deserved reputation for being one of the top international hotel chains – so that when something goes wrong it stands out.

Not that the gap in the walkway has put people off: bookings for the Hyatt as the main convention hotel remained are very strong for the rest of the year in spite of the recession.

The Birmingham Hyatt was only one of a number of new hotels Hyatt has opened over the past few years, bringing the total up to 159 around the world. Hyatt Hotels Corporation, the main-operating company, has 89 hotels and 17 resorts in the US, Canada and the Caribbean. Hyatt International, a separate company, and its subsidiaries operate 37 hotels and 16 resorts in 27 countries.

The two operating companies are part of the Pritzker Family Trusts, a private company in Chicago which also owns manufacturing and property companies worldwide.

But Hyatt, like many of its rivals in the world hotel stakes, is constantly searching for new developments for the 1990s. At present it has some 12 new hotels either recently opened or being developed in 10 countries around the world. These include the Park Hyatt in Santa Monica, California, which opened last July, the Grand Hyatt Erawan in Bangkok (opened in September); the Hyatt Regency Roissy at the Paris Charles de Gaulle Airport due to open late next year; and the Park Hyatt Buenos Aires slated to open early 1992.

These three names – Park, Regency, and Grand – reflect the branding strategy that Hyatt has adopted. But, insists Mr Bernd Chorengel, president of Hyatt International, the three hotel classifications do not target different market segments: "All our hotels cater to travellers at the top end of the market, whether they are travelling on business or for leisure."

He adds: "But within our umbrella brand name we have developed a number of different sub-brands to cater to the specific needs of a particular destination or market."

Mr Chorengel has been with Hyatt since the late 1960s when Hyatt started its international operation with the Hyatt Regency in Hong Kong. Now 46, Mr Chorengel is Hyatt International's longest-serving employee.

"The next 10 years will see the demise of the smaller operators," forecasts Mr Chorengel. "Only the major chains have the resources to provide computerised reservations networks and the commitment to marketing that is required."

David Churchill

BA faces new American challengers, writes **David Churchill**

Dogfight over the Atlantic

THE Battle of the North Atlantic is being fought out this autumn between British and US airlines eager to capture a share of the lucrative transatlantic business class traffic.

After several years when the decline of Pan Am and TWA as effective competitors to British Airways gave the UK airline the chance to build up a dominant share of the North Atlantic air routes, increased competition this year has put BA under intense pressure to maintain its performance.

The winners in this battle, however, will not be the participants, at least in the short term. Those that are benefitting most from the rivalry are their passengers, especially business travellers.

"There is going to be a real slugging match on these routes over the next year," points out Mr John Donaldson, managing director of the Thomas Cook travel agency group. He predicts that as a result there should be little real price inflation on North Atlantic business class fares next year.

The origins of the battle being fought out between British Airways, American Airlines, United Airlines, and Delta – plus Virgin Atlantic and several other smaller players – is a result of several factors.

One was the growing weaknesses of the two main US international carriers – Pan Am and TWA – which failed to respond to the market changes brought about in the US over the past decade by the de-regulation of routes and services. Their decline led the way for United and American to take over their prime Heathrow services, although this move required more than simply buying out the two previous airlines.

Britain trades Heathrow landing rights for more US access for its airlines

Under the bilateral agreements existing between Britain and the US for many years, American and United would have still been unable to actually take over the routes. However, talks between London and Washington gave American and United official access to these routes in return for greater access to the US for British carriers.

Mr Samuel Skinner, the US transport secretary, said of this agreement at the time that it made available the so-called seventh freedom rights to UK airlines. "What that means, for example, is that BA would be able to fly between Germany and the US without having to stop en route to London as more traditional rules require."

But, he added, the main thrust of the new agreement was "stripping away the artificial constraints of bilateral agreements and allowing airlines on both sides of the Atlantic at least to exploit the true economic potential of the transatlantic market in a far more effective way."

At the same time as American and United were being allowed into Heathrow, the British government decided to scrap the controls on which airlines could use Heathrow. (These regulations said that only carriers which were serving Heathrow before 1977 could fly into and out of the world's busiest airport.)

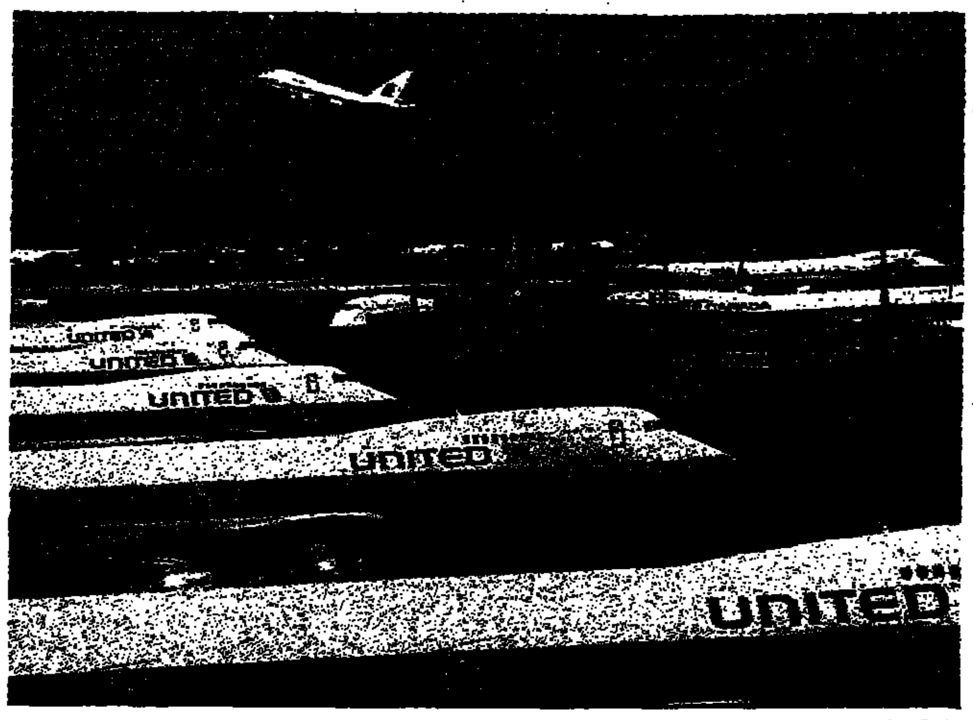
The reason for the abolition of the old rules was in keeping with the British government's desire to see more airline competition throughout Europe: it could not argue for an "open skies" policy in Europe while still curbing access to Heathrow.

The main result of this change, apart from bringing in American and United, was to allow Virgin Atlantic to operate to the US from Heathrow. Previously it could only fly out of Gatwick. Heathrow is seen as the key to the North Atlantic routes because of its onwards connections to other parts of Europe and elsewhere.

This new competition could not have come at a more difficult time for British Airways. The hiatus caused by the Gulf war at the beginning of the year disrupted the travel plans of many business travellers; when the crisis was over, BA's traditional customers were faced with a barrage of advertising from both United and American as they sought to convince frequent flyers that it was a good time to change habits and airlines.

Moreover, the cheap fares introduced by American and United – and Virgin – also meant that cost-conscious companies were more inclined to take advantage of these special offers. BA, however, has fought back strongly on fares: it has agreed to allow all travel agents access to unsold seats to enable them to sell return economy tickets to New York, for example, at between £250 and £300. This is the same price range as for tickets sold by traditional flight consolidators, agents who take on a commitment in advance to sell unsold airline seats.

BA has also been forced to introduce a frequent flyer programme, called Latitudes, to counter the programmes offered by United, American and Delta. Frequent flyer schemes give regular passengers the opportunity to get free tickets for future flights. Popular for many years in the US, BA has traditionally eschewed such an approach. However, it has linked its Latitudes programme to its Air Miles operation, thus also boosting the popularity of this promotional scheme initially aimed at leisure travellers.



Glyn Genin

United's big jets at Heathrow: queueing up for the travelling executives

The advantage the American carriers have over British Airways is that they can offer a greater network of connecting services within the US. BA, on the other hand, has better onward connections from its home base of Heathrow.

American Airlines, the largest US carrier, is probably the most aggressive of BA's rivals. Seven years ago, American had no transatlantic services at all: now it operates 105 flights weekly from the UK to seven US gateways.

From next June, when it starts a Stansted to Chicago service, it will be the only transatlantic carrier to offer services to the US from all three main London airports.

United's plans for building up its transatlantic services included being the first airline to place a firm order for Boeing's new wide-bodied, twin-engine aircraft, the 777.

The competition over the North Atlantic could not have come at a better time for travellers, according to *Business Traveller magazine*. A survey to be published in the magazine next month shows that the business class return fare from London to New York is the most expensive, after adjusting for distances travelled, from any European country.

From London, the cost to business travellers is 19.07p per kilometre; from Athens (the cheapest) the cost was only 9.62p per kilometre.

Alice Rawsthorn goes window shopping

Everything that money can buy

IF I WAS a rich girl I'd travel all the time and, of course, I'd travel in style.

As I'd be travelling so often and so stylishly I'd treat myself to the very, very best of everything. I'd start with my luggage. No scruffy suitcases, or bulging bubble bags for me, only a trunk will do and the smartest of trunks at that.

Leopold Stokowski, the 19th century explorer, had the right idea. He commissioned a cabin trunk of his very own from Louis Vuitton, then a tiny family business in Paris, to accompany him on his African expeditions.

Vuitton still makes the Stokowski secretaire today, with room for books, papers, pens and even a desk top in case you need to scribble down ideas and impressions on top of a Tibetan mountain, or in the depths of the Botswana desert.

Some might baulk at the price. But £9,200 is nothing to a very rich girl like me, especially as the Stokowski secretaire is made by hand at one of the Vuitton factories under the watchful eye of Patrick Vuitton, Louis' great-great-grandson.

I might even splash out on the *cuir épi* version of the Stokowski. It's twice the price at around £18,000, but I think I'd prefer my secretaire *not* to be covered with LV initials.

Or, I might splash out on one of the new collection of travelling desks and stools designed for Vuitton by Christian Liaigre, architect of the Montalembert hotel in Paris. Vuitton has made a limited edition of 100 desks and 200 stools in sycamore and cowhide. A snip, compared to the Stokowski secretaire, at £4,435 a set, or £5,045 if you throw in the document holder.

Having organised my luggage I would then, of course, have to decide what to put in it. The wardrobe is easy. Chanel for weekdays, Romeo Gigli for weekends and Dolce e Gabana for evenings. Manolo Blahnik for shoes and a *cache* of Georgian jewels. Books are easy too. I'd while away all those hours on trains and planes by re-reading the classics in the new edition of the Everyman Library, all stashed neatly away on the top shelves of my Stokowski trunk.

Louis Vuitton's Stokowski secretaire (in cuir épi) costs a mere £18,000

As I'd be spending so much time on my travels, I'd need lots of toys and trinkets to keep me amused. I might take an Hermes *théière*, a teapot with two boxes, one for tea and the other for a cup. Another effortless extravagance at £2,900.

After the *théière* my other travelling toys seem positively parsimonious. I'd need a radio, of course. I'd go for a Sony 1CF SW1E, commonly known as the SW1, a miniature short-wave radio with quartz synthesizer tuning. So, for £150, I could tune into the World Service - cuts, or no cuts - wherever I might be.

If I wanted an alarm clock as well I'd choose the Braun ABR313sl radio alarm for £39.95. Braun, thanks to Dieter Rams, its chief designer, is a monument to modernist design. The 313sl has all the characteristics of classic Bauhaus styling with its monochrome colours and functional features, like the global time guide that doubles as a stand and the aerial that slips out along the side.

Then there'd be music. Sony would be best for my Walkman, for cassettes, my portable compact disc player, for CDs, and, of course, my Watchman, for television.

If I waited until the end of next year I'd be able to treat myself to the new Sony Mini-Disc for around £300 so I could play tiny magneto-optical discs on a machine the size of a cigarette packet. By then I'd also be able to buy a Walkman-sized version of the Philips digital compact cassette, which will play all my old ordinary cassettes as well as my new collection of compacts.

Should I want to *make* music on my travels as well as play it, I'd buy a Yamaha QY10 so I could key into a sequencer with eight-tracks, a generator with 28 notes and 30 voice tones, a rhythm machine with 26 voices and a micro keyboard all the size of a video cassette at £259.

I could even croon along to my own portable karaoke machine. The Mamekora Handy Karaoke set hails from Japan (where else?), but can be bought for £98 from the Paul Smith shops in Europe.

Today's traveller never ventures far without at least one techno-toy. I, of course, would go for the *crème de la crème* in the Sega Game Gear portable electronic video game console. The Game Gear is no bigger than a filofax, but has stereo sound, with a Walkman adaptor, and a three inch screen.

The Super Monaco Grand Prix game covers all the 16 Grand Prix circuits and lets the driver choose his own engine, tyres and gearbox. More than a million models were sold in two months when it was launched in Japan last year. Now I can buy it in the UK for £99.99 and, from next year, I'll be able to tune in into a portable television with a £50 attachment.

So, whether I'm writing my diary on a Tibetan mountaintop on a Christian Liaigre desk, or singing-along to my portable karaoke machine in the privacy of my own room at the Royalton Hotel in New York, I'll be doing it in style.

But there is, of course, one other travel trinket that no girl, even a very rich girl, should set off on her adventures without. For £14.99 you can buy the cheapest of Ratners' wedding rings. C–p, it may be, but at least it means you can leaf through the books in your Stokowski, or play with your Game Gear, in unpestered peace.

Glyn Genin

Lapping it up: FT reporter Patti Waldmeir at work during a South African Airways flight

FINANCIAL TIMES SURVEY

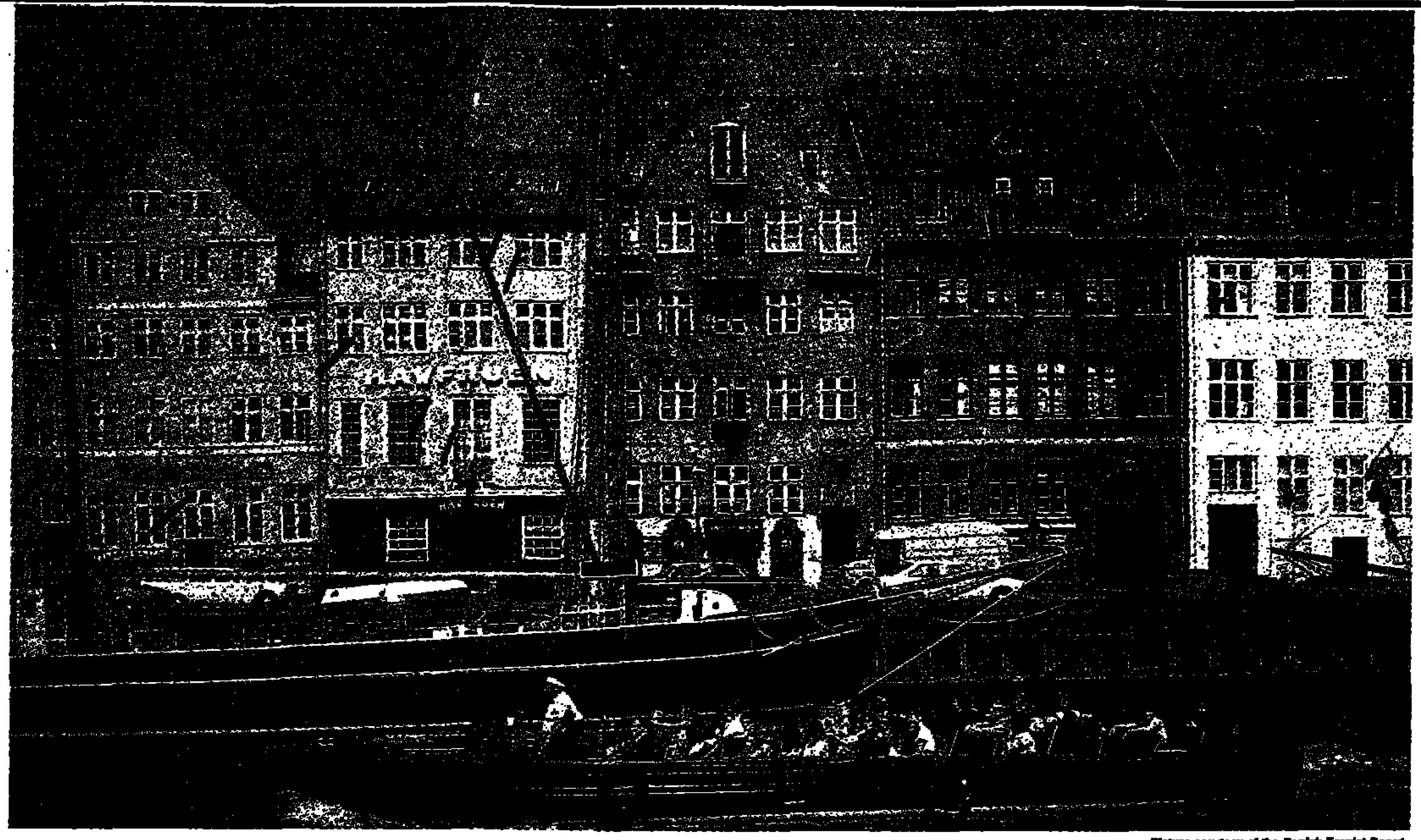
DENMARK

SECTION IV

Tuesday November 19 1991

Last year, Denmark had its first current balance of payments surplus in 27 years. This year, inflation was the lowest of OECD countries. Copenhagen has regained its self-respect, writes **Hilary Barnes**, but the weak, minority government is facing an uncertain future

A confident age dawns



Picture courtesy of the Danish Tourist Board

The sun is shining on Denmark as the economy and the country's self-confidence pick up. Here tourists view Copenhagen from the waterways

THERE have been substantial changes in Denmark in recent years. In the early 1980s, it would have been inconceivable that the minister of finance should open an interview with the following words: "Denmark has a unique opportunity to become an exemplary economy among the industrial nations. The Danish economy is the strongest in Europe, and will become stronger."

But this was the opening shot in an interview for this survey by Mr Henning Dyremose, finance minister in the two-party Conservative-Liberal minority coalition government. Mr Dyremose has more reason to be optimistic than did any of his predecessors in 20 years.

In non-economic respects, too, the country seems to be more sure of itself. Debilitating conflicts over Nato policy and the EC, which were a feature of the 1980s, were put aside when the Berlin Wall came down. There is now a broad consensus between almost all parties in the Folketing (parliament) on European policy and defence.

A decade ago, Denmark was indeed in dire straits. Two oil price shocks had rocked the economy and successive Social Democratic governments had failed to bring the problems under control. The budget deficit in 1982 was more than 10 per cent of the gross domestic product. The current balance of payments deficit was large, and the problems of the foreign debt so pressing that the finance minister of the day described the country as being on the edge of a financial abyss. Yields on government bonds in the summer of 1982 soared to 23 per cent.

Statistics tell a more hopeful story now. The current account is in surplus. The trade surplus is larger, relative to the size of the economy, than either Germany's or Japan's. Inflation is about 1.8 per cent, the lowest in the OECD.

Unemployment mars the record, however. At 10.8 per cent, it is as high as it was in the early 1980s.

The transformation in the country's economic prospects could be said to have begun in 1982, when a non-socialist coalition under the leadership of the Conservative Party's Mr Poul Schlüter took over, but the real turning point was 1986. In that year, the current account deficit reached such alarming proportions, some 5.2 per cent of the GDP, that radical measures were taken.

Mr Peter Erling Nielsen, lecturer in economics at Copenhagen University, described the policy as "first-year undergraduate economics" – a fixed exchange rate, tight fiscal policy, and savings incentives, leading to low inflation, improved competitiveness and an export-led recovery. First-year economics or not, it is working, although recovery so far is moderate, with real GDP growth of just over 2 per cent in both 1990 and 1991. It is expected to pick up to around 2.5 per cent in 1992.

What is more, the basic policies have the support of the Social Democratic Party, said Mr Svend Auken, the party's leader. The powerful LO, the blue-collar Trades Union Confederation, also accepts that low inflation and a sound external account are, in the long run, the best way to protect members' interests, said LO economist Jorgen Eckeroth.

Superficially, it may seem surprising that so much progress has been made under a regime of weak minority governments. Mr Schlüter, who is now the longest-serving prime minister since 1945, has never presided over a majority government, and has always needed the support of four or five parties to ensure majorities.

His present Conservative-Liberal government, formed after the election in November last year, controls only 59 of the Folketing's 179 seats.

There are eight parties in the Folketing. Mr Schlüter has demonstrated a masterly talent for keeping the small, centre parties, the Radical Liberals, the Centre Democrats and the Christian People's Party, on his side.

His strength, however, is partly the weakness of Mr Auken, a gifted politician with considerable oratorical talent, but who is not trusted by the small parties which hold the swing-vote in the Folketing, and can make or break governments. There is no prospect that they will make Mr Auken prime minister in the foreseeable future.

So, unless Mr Schlüter's position is undermined by a scandal concerning the administration of refugee policy, he looks stronger than ever, with a sporting chance of staying on for 13 years, which would make him the longest-serving prime minister this century.

Economic cure has been hard, but it does not seem to have upset the Danes who are, generally speaking, a satisfied people – too satisfied, in the opinion Mrs Karen Schouboe, of the Future Research Institute in Copenhagen. Satisfied people don't want change, she says, but at the rate things are going in Europe, Denmark needs people with a taste for change. Mrs Schouboe has analysed 1,486 essays about the future by 16 to 17-year-olds. About 85 per cent of them "turned their back on the future", she found. Half were so satisfied with their way of life that they wanted no change, while about a third were fearful of the future, owing to environmental problems and nuclear weapons.

That left only 15 per cent with a get-up-and-go approach.

If she is right, this is not a prescription for a dynamic future, but unfortunately there are no comparable surveys from the 1950s or 1960s to show how attitudes have changed. Danish society is unusually cohesive, with a culture which sets store on consensus, togetherness and equality. Expressing dissatisfaction is an unwelcome way of rocking the cosy boat.

Perhaps it has always been the 15 per cent which has lifted Denmark forward. For Denmark's sake, one must hope so.

Prime Minister Poul Schlüter: fighting for his career

Sticky moments in politics

DANISH politics has been bedevilled by two *causes célèbres* over the past months. Conveniently for the political balance, one involves the Conservative Party and the other the opposition Social Democratic Party.

The most serious, which if things go badly could put an inglorious end to Prime Minister Schlüter's career, concerns the administration of policy on refugees by a former Conservative Minister of Justice, Mr Erik Ninn-Hansen. In 1988 he delayed the process by which Sri Lankan family members of Tamil refugees in Denmark were allowed to enter the country.

According to the parliamentary Ombudsman, his action was illegal, and, to make matters worse, Mr Ninn-Hansen tried to delay an investigation into the affair by the Ombudsman.

A commission of inquiry presided over by a High Court judge is hearing evidence to try to establish whether there is a case for impeaching Mr Ninn-Hansen.

The case has potentially wide repercussions, not least

■To next page

DENMARK 2

Danish banks show up the neighbours

A bright patch in the Nordic gloom

THE DANISH banking world is pleased with itself this autumn: it has escaped the serious problems facing banking in its Nordic neighbours.

A key to its sound position is the set of capitalisation rules introduced in the 1930s. These enforced an 8 per cent minimum equity ratio. The ratio turned out to be stronger than this – more than 11 per cent – when defined by the new BIS rules.

The Danish government, in order to prevent an excessive balance sheet growth, has introduced a 10 per cent minimum equity ratio, and the ratio will not fall to the BIS 8 per cent level until 1995.

Another reason the Danish banks are in relatively good shape is that the country has an efficient supervisory system, which has existed for a century. The supervisors pay regular visits to the banks and examine the loan portfolio. Their experience has contributed to giving the banks a sound asset structure.

But the long recession since 1986 has not left the banks unscathed. Their loan loss provisions have in fact been high. In 1990 they averaged 1.9 per cent of loans and guarantees. Bank earnings are low, a long-term average return on equity of only 5-7 per cent, according to a study published in the National Bank (Central Bank) Quarterly Review in August.

According to Peter Erling Nielsen, an academic expert on the financial service sector, the banks are taking steps to improve their position, more especially by reducing the number of branches and cutting back on personnel. This is particularly marked for the two big banks, Den Danske Bank and Unibank, both the result of mergers in 1990. Mr Nielsen says they are setting a trend which the other banks – 72 commercial banks and roughly double that number of savings banks – will ignore at their peril.

Predictions of a decline in numbers have come to nothing. 'No matter how many (commercial) banks disappear, there are always 72 left at the end of the year'

It has long been predicted that the large number of Danish banks will thin rapidly, but it has not happened. "No matter how many (commercial) banks disappear, there are always 72 left at the end of the year," said Mr Nielsen. For every bank that vanishes through a merger, a new one opens.

The current fashion is for restricted service discount banks, including one opened by Den Danske Bank, which have been able to gain business by offering higher interest rates by virtue of their low administration costs. So, against everything the expert analysts have said for at least the last 20 years, Denmark today has a wide variety of banks, from megabanks to regional banks and one-town (or village) banks.

What it all goes to show, said Mr Nielsen, is that there is no convincing evidence, in Denmark or elsewhere, that there are any benefits of scale in banking.

The two big banks hope he is wrong. Den Danske Bank (the result of a merger of the former Danske Bank, Copenhagen Handelsbank and Provinsbanken) and Unibank (a merger of Privatbanken, SDS and Andelsbanken) together have a market share of 60-65 per cent.

One benefit of scale, both banks say, is that had they not merged, the process of radically reducing the branch network, and hence reducing staff, would have been extremely difficult.

The impact on the bottom line, however, has yet to show up, but it is still early days. Besides, until the economic recovery gathers more momentum, the banks will continue to carry substantial loss provisions.

Hilary Barnes

These red Danish dairy cattle are quiet mainstays of the economy. Exports of milk and cheese account for about 12 and 9.5 per cent of world exports

Hilary Barnes looks at the way ahead

Halfway to the model economy

THE dream which Henning Dyremose, the finance minister, has of Denmark as the model European economy may be within the government's grasp, but so far it has got only half way towards its goal, and the second half of the journey will not be any easier than the first.

The economy is arguably in better shape than at any time for 20 years:

■ In 1990, for the first time for 27 years, the current balance of payments moved into surplus. There will be a surplus again this year, and this is likely as well over the next year or two;

■ The net foreign debt, which peaked at a rather alarming 41 per cent of the GDP in 1986, is down to about 33 per cent;

● The trade surplus is about 6 per cent of the GDP, larger in relation to the economy than Japan's or Germany's;

■ Inflation over the 12 months to September was 1.8 per cent and the average level for 1991 over 1990 will be about 2.5 per cent. The government forecast is an inflation rate of 2.7 per cent in 1992; and

■ The key National Bank (central bank) interest rates are now level with the Bundesbank's, and in recent weeks short-term money market rates have been slightly lower than in Germany.

The origins of the startling improvement in Denmark's economic performance go back to 1986. The key measure was not the tightening of fiscal policy, though this was important, but a change in the tax value of the mortgage relief deduction (and the deduction for other interest), which from 68 per cent (identical with the top rate of income tax) was cut to 50 per cent.

The Danes suddenly put their profligate ways behind them. The private sector savings ratio increased from 15.7 per cent in 1986 to 24.5 per cent in 1990.

The cure has been brutal. There has been no increase in retail trade for five years. Building activity collapsed: housing construction has not been lower since the 1950s. Car dealers have had five miserable years, and many have gone bankrupt. Falling property prices have hit the banks and mortgage credit associations extremely hard.

Domestic demand weakened but exports performed well

But while domestic demand weakened, exports have performed well, rising by an average of 6 per cent a year, in real terms, since 1987. After three years (1987-89) with almost no increase in production, the GDP increased by 2.1 per cent in 1990 and is set to increase by around 2.2 per cent in 1991 and 2.5 per cent 1992, with a resumption of increase in private consumption and business investment at last.

Two things remain before Mr Dyremose's dream is fulfilled. As he himself defines it, in order to be a true model economy: the country now needs a budget surplus and full employment.

The budget deficit this year is around 4.5 per cent of GDP, at DKr36bn, and will only fall slightly in 1992, to about DKr30bn, according to the draft 1992 budget. However, the deficit is not a result of general expenditure increases (public sector expenditure has increased by an average of only 0.9 per cent a year since 1984), but the result of the impact of the long recession on revenue and unemployment benefit outlays.

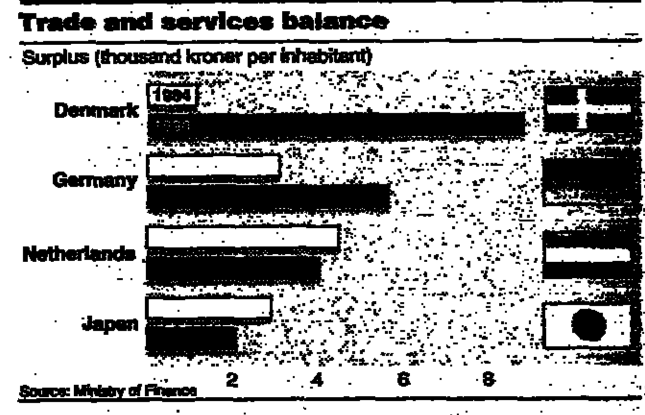
Mr Dyremose predicts that the deficit will disappear of its own accord within two or three years as domestic demand recovers. Unemployment is a tougher nut to crack. After three years of rapid growth from 1983 to 1986, when about 180,000 new jobs were created, unemployment fell from 10.5 per cent in 1983 to 7.9 per cent in 1986 and 1987. It is now back to 10.8 per cent (seasonally adjusted).

As OECD surveys on Denmark have pointed out more than once, the non-accelerating inflation rate of unemployment in Denmark's case appears to be an unpleasantly high 8-9 per cent, mirroring mismatches between demand and supply of workers, rigid demarcation lines, "very generous" unemployment benefits with high compensation for low-paid workers, long duration of benefits (up to 10 years, the OECD states), soft entitlement conditions, and a large element of discretion for unemployed persons to reject job offers.

Some modifications to the benefit system have already been made. Mr Dyremose wants more, as well as co-operation from the labour market partners to obtain a lower entry-wage for young, unskilled and semi-skilled workers, and less rigid demarcation rules. Without reforms, the pessimists fear that as soon as domestic demand picks up again and the GDP growth rate exceeds 3 per cent or so, labour bottlenecks will begin to appear, inflation will regain its grip, and all the old ills return.

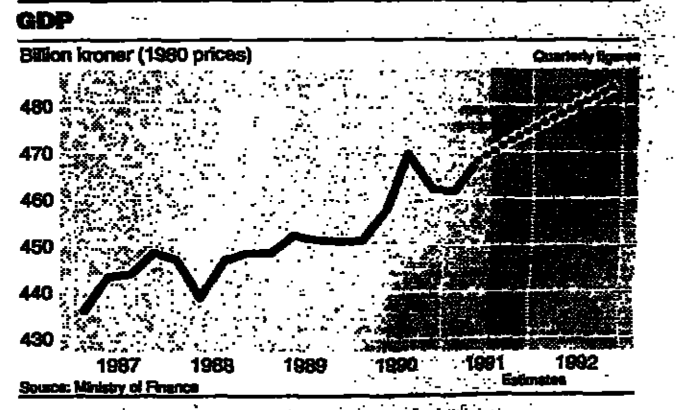
The stock exchange looks forward to increased activity as wealth increases: private sector savings ratios increased from 15.7 per cent in 1986 to 24.5 per cent in 1990

Trade and services balance



Source: Ministry of Finance

GDP



Source: Ministry of Finance

Xueling Lin wanders through a mobile office

A brave new business philosophy

ONE DAY in August this year, Oticon employees all lost their offices. Gone were all office walls ... directors' offices disappeared ... departments were abolished. From now on employees no longer had one fixed job, but had to find their own tasks in the organisation.

The organisational revolution taking place at Oticon, one of the world's leading manufacturers of hearing aids, is the stuff of which dreams are made. The radical rearrangement, which affects all 130 management and administration staff, from managing director to secretary, is what Oticon believes will make the company the unrivalled best in the business.

When Oticon employees arrive at work they sit in one big room with no partition walls, and where all tables, chairs and computers are identical. None of the tables has drawers. Each employee has, however, his or her own personal drawer module on wheels which can be pushed around as required.

Lars Kolind, managing director, explained: "Traditional physical structures limited communication. So we took down all the walls and liberated everybody from being forced to sit in the same place.

"This comes together with the idea of getting rid of fixed jobs. Each person should have more functions. For example, you might have an R&D engineer who is also interested in marketing."

Employees can apply for any project they are interested in, which are posted on a computerised project bulletin board. They get placed on the projects according to whether the project manager feels they have something useful to contribute, rather than according to traditional areas of expertise. Employees are expected to keep track of what projects they are involved in, although the computer also keeps a record.

In turn, project managers are pushed to offer and develop interesting projects to attract the talent.

The idea behind the "mobile office" is that employees are freed to move to the part of the room where their main project group is clustered, and then move on when new projects start up. The system appears to work. One project manager described how he was able to move three people he had recruited for his project to his corner of the office in 30 minutes. This is a task which would have taken several days and a small army of technicians in the old days.

'Traditional physical structures limited communication. So we took down the walls'

According to Mr Kolind, who sits at a desk identical to that of his fellow employees, none of this would have been possible without a substantial investment in computers.

One of the difficulties of a "flat pyramid" organisation, where everyone shares responsibilty and influence, is keeping track of exactly what is taking place. Before the change was carried out in August this year, the company invested DKr22m for computers supplied by Hewlett Packard.

There is a terminal at every table where the responsible manager or the interested employee can keep track of what projects are on offer, projects in progress and the members of the various teams. All communal reference files have been stored in the data system.

The boast is that a comprehensive picture can be formed of the company by just spending half an hour in front of the screen.

Oticon is also striving to cut out what they have dubbed "paper pollution". Every morning all mail is opened, scanned and stored into the data system. If the employee wants to see the letter on paper he or she can collect it from a pigeon hole in the mail room. But there is a large shredding machine located in the room, with a transparent chute passing through the company canteen, as an reminder of what Oticon thinks should happen to it. Every morning there is a snowstorm of paper in the chute for all to see. The management believe that a substantial amount of time is saved because there is less temptation to sit and mull over bits of paper and delay making a decision in response to a letter. Waste paper baskets are rare at Oticon.

All written internal communications in the company take place via the computer mailing system. Mr Kolind estimates that the number of internal memos has fallen by at least half in the last six months. "If you have to write your own memos – which you do with a computerised system – you tend to keep them short and to the point."

The flurry of creativity and increased efficiency unleashed by the "Oticon way" should boost productivity by an annual 10 per cent for the next 3 years, claims the energetic Mr Kolind.

Sticky moments

Convicted of greed: Ritt Bjerregaard

Embarrassed: Social Democrat leader Svend Aukin

■From previous page

for Mr Schlüter, who is being asked to explain what he knew about Mr Ninn-Hansen's policy, and when. The question is whether Mr Schlüter was telling the truth when, in April 1989, he told the Folketing that "nothing has been swept under the carpet".

If the report by the inquiry, expected next spring, finds that Mr Schlüter knowingly misled the Folketing, his position will become extremely difficult. Opposition politicians tend to think that Mr Schlüter is for the high-jump. Government politicians say he will get away without a noticeable stain on his character. Mr Ninn-Hansen will be severely criticised, but few believe that the case merits more than this.

As for the Social Democrats, one of their most influential members, Ms Ritt Bjerregaard, in line to become foreign minister should the party return to power, has been convicted by public opinion of greed. The party responded on October 29 by removing her from the key job of chairman of the party's parliamentary group.

Her offence was that, although resident in the provinces, which entitles her to a tax-free DKr80,000 allowance, she accepted the offer to rent an eight-roomed 200sqm flat in Copenhagen at a rent well below the market rate.

Since there is a housing queue in Copenhagen, many people, especially within her own party, were outraged, and the (Conservative) housing mayor of Copenhagen said she either had to give up the apartment or move her official residence to Copenhagen and pay her local government income tax there.

She refused, and the party's opinion poll ratings fell steadily while the dispute raged.

Hilary Barnes

Hilary Barnes looks ahead to 1992

All dressed up for the EC party

"EUROPE is moving in a north-easterly direction, and this will benefit Denmark," said Jorgen Eckeroth, economist at the LO, the blue-collar Trade Union Confederation.

This sums up the feeling of many Danes. They look forward to the strengthening of the northern European influence in the European Community when Sweden, which has already applied for membership, becomes a member. Finland is expected to apply as well, while Norway's position is less clear.

It has often been pointed out that if all four Nordic countries became members of the EC, their combined vote in the Council would be greater than Germany's and the other large members'.

Developments in Eastern Europe are one aspect of the north-easterly drift

Developments in eastern Europe are another aspect of the north-easterly drift. The nations of the Baltic rim will play an increasingly important part in European trade. Both the Danish government and its agencies as well as private companies are engaged in developing relationships with Poland, the Baltic countries and Germany's eastern provinces.

Denmark, which bestrides the sea lanes into the Baltic from the North Sea, stands at the geographical centre of this complex, and its position, especially that of Copenhagen, will become even more pivotal when a series of structural projects are completed in the course of the 1990s. These include the rail-and-road bridge which Sweden and Denmark plan to construct across the sound between Copenhagen and the southern Swedish city of Malmo and a bridge, still only in the ideas stage, across the Fehmarn Belt to link the southern Danish islands with Germany.

Besides the political benefits of common Nordic membership of the EC, the Danes look forward to substantial trade benefits. Denmark is an agricultural exporting nation, but its meat and dairy products have been almost completely excluded from the Nordic markets. The Danish exporters are confident they will be able to win a substantial market share when these markets are opened to them.

In the current discussions on economic and monetary union and political union, the Danish government and Folketing (the minority government must necessarily co-ordinate its policy with the opposition Social Democratic Party, so there is a very broad measure of cross-party agreement) has no problems with the plans for Emu. Its economy meets the requirements for moving swiftly to economic and monetary union, and constitutionally the National Bank (central bank) is one of the most independent in Europe.

Political union is a more difficult issue, as Mr Svend Auken, leader of the Social Democratic Party, explained. "We do not want a union in federal form," he said, and if federal means a goal of a single European government, parliament, and defence policy, this would be unacceptable to Denmark.

Defence policy and the military dimension is a special stumbling block for Denmark

Defence policy and the military dimension is a special stumbling block for Denmark, said Mr Auken. European security policy must continue to be based on Nato, and Denmark is against giving the EC a military dimension, although on this issue the government parties are less rigid (they would gladly see Denmark joining Western European Union) than the Social Democrats.

The reason for the Danish position, said Mr Auken, is that as a small neighbour to mighty Germany, Denmark considers that it is essential to maintain an American presence in European defence in order to act as a counterweight to the German influence.

The Danes have some other reservations – on plans for the European Parliament, for example, and on the social dimension and environmental policy, which they see as too weak rather than as too strong – but the federal issue and the military dimension are the ones which are decisive.

A referendum on Emu is planned for 1992, if there is a firm plan which can be made the subject of a referendum. Constitutionally, it is not necessary to hold a referendum on Emu, which will not devolve sovereignty within the meaning of the Constitutional Act. A referendum will almost certainly be constitutionally necessary on political union, however, if and when agreement is reached.

Generally, Denmark is well-prepared for the completion of the internal market. To start with, a recent Euro-barometer survey found that far more Danes than other Europeans – some 85 per cent – had heard of the internal market.

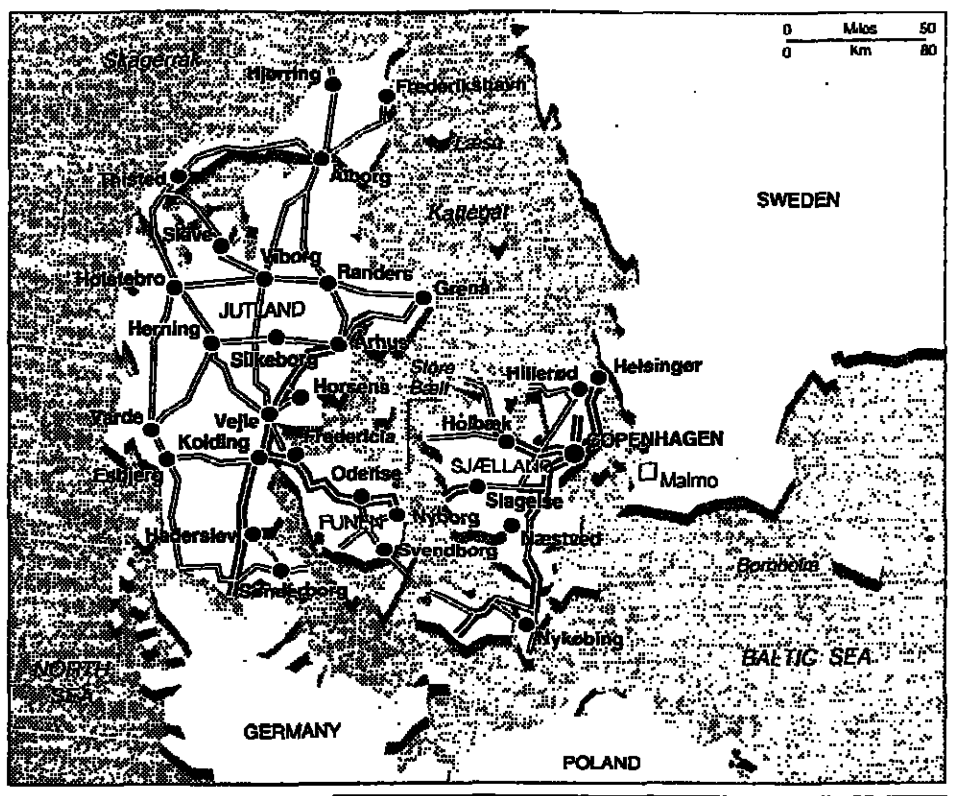
Mr Soren Krohn, the Federation of Industries' expert on European affairs, pointed to other Danish advantages. "The country is so small that even small firms must export, so industry is orientated towards the outside world in a quite different degree than in larger countries," he said.

"Because we are small, and not because our morals are better, the public sector procurement market is much less protected than in other countries. There are simply not enough Danish suppliers to keep the market closed.

"Denmark displays a will to live up to EC rules. We have implemented more EC directives than other countries, and we are subject to far fewer complaints over trade restrictions than any other member except Luxembourg," said Mr Krohn.

The one area where Denmark has problems concerns taxation. Its top rate of income tax, 68 per cent, is out of line not only with other EC countries but with the other Nordic countries. However, a serious border trade problem with Germany, resulting from high Danish excise taxes, has largely been solved over the past three years by Danish tax reductions. Denmark is still fighting for the maintenance of border controls in order to enable it to maintain high taxes on wines, spirits and tobacco.

Corporation tax, reduced from 50 to 38 per cent between 1989 and 1991, is not now a problem, and from a corporate point of view Danish taxes are even rather favourable, owing to various special deductions and allowances.



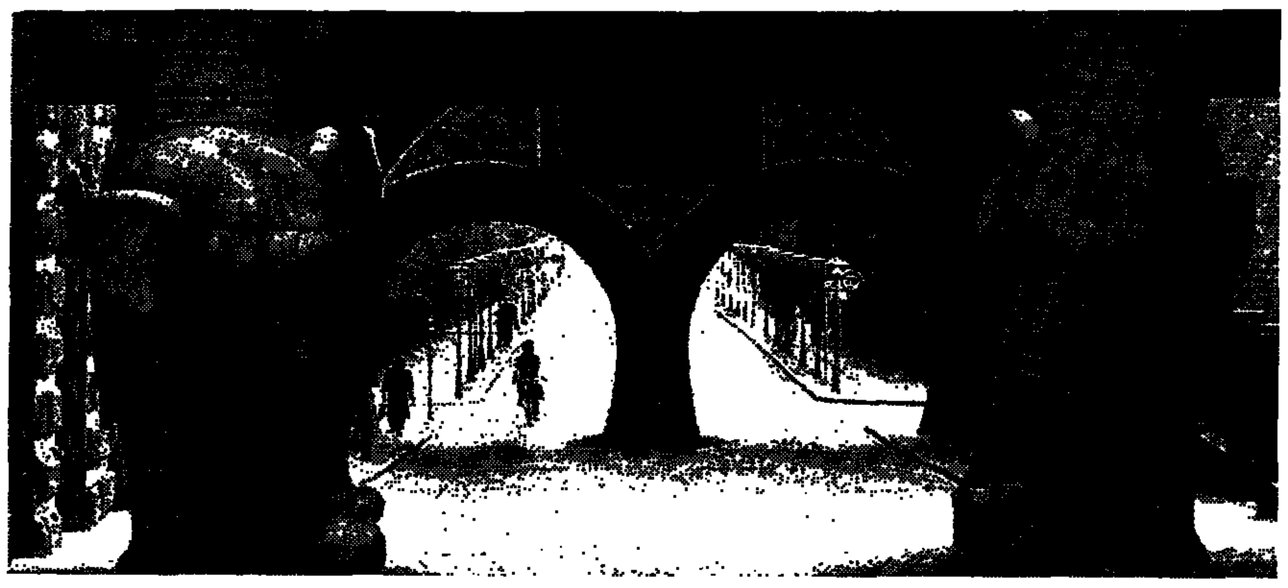
KEY FACTS

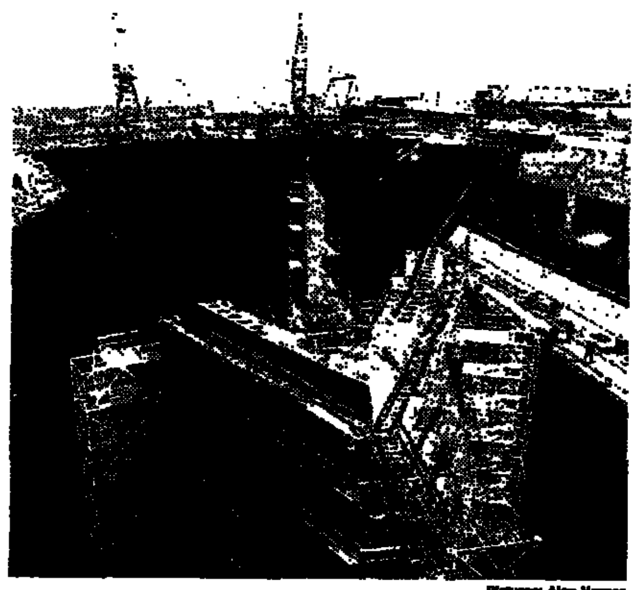
Butter from the churn. Dairy export remains big business

Area	3,093
Population	5.146m
Head of State	Queen Margarethe II
Currency	Danish Krone (DKr)
Average exchange rate	1990 $1 = DKr6.19;
	Latest (Oct) $1 = DKr6.49

ECONOMY	1990	1991
Total GDP ($bn)	130.9	135.4
Real GDP growth (%)	+2.6	+2.9
GDP per capita ($)	25,439	n/a
Components of GDP (%)		
Private consumption	52.3	52.3
Gross fixed investment	17.7	17.6
Stockbuilding	-0.2	-0.2
Government consumption	24.8	24.6
Exports	34.9	35.2
Imports	29.5	29.2
Consumer prices (% ch pa)[2]	2.6	1.8
Ind wage rates (% ch pa)[3]	4.8	4.9
Ind production (% ch pa)[4]	0.6	-1.0
Unemployment (percentage of labour force)[4]	9.6	10.5
Reserves minus gold ($bn)[4]	10.6	7.6
Narrow money growth (% pa)	5.2	n/a
Broad money growth (% pa)	6.5	n/a
Discount rate (% pa, year end)[1]	8.5	9.0
Govt bond yield (% pa,year end)[1]	10.95	9.07
FT-A index (% change over year)[1]	-15.7	+23.8
Budget balance (% of GDP)	-3.1	n/a
Current account balance ($bn)	+1.5	n/a
Exports ($bn)[2]	34.97	36.35
Imports ($bn)[2]	31.63	32.82
Trade balance ($bn)[2]	3.34	3.53
Main trading partners (1990, % by value)	Exports	Imports
Germany	19.9	22.8
Sweden	12.8	11.5
UK	10.7	7.6
France	6.0	5.3
US	5.1	6.2
EC	52.2	52.2
Efta	24.5	22.9

1991 data is for year to second quarter except where noted. 1 - October; 2 - September; 3 - April; 4 - August
Source: IMF, OECD, Datastream, EIU, WEFA





Pictures: Alan Harper

'Laboremus pro patria,' reads the sign over the impressive entrance to Copenhagen's Carlsberg brewery (left). 'We work for our country'. Apart from beer and pastries, those well-loved ambassadors, Denmark has benefited from successes such as shipbuilding (right: a ship under construction at the Burmeister & Wain shipyard)

INDUSTRY: To merge or not to merge

Juggling the factors which lead to success

THE FIRST study carried out in Denmark by associates of Professor Michael Porter, of Harvard University, the author of the influential *The Competitive Advantage of Nations*, was called *Industrial Success*. The second was called *Growth and Dynamism in Danish Business*.

The change of emphasis could well relate to the comparative macro-economic data contained in the second volume, which suggest industrial successes have not been sufficient for a particularly outstanding national performance. Growth and dynamism have, in fact, been in short supply.

The data show that over the period 1960-88 (and the performance is no better over the 1980-88 period), Denmark's GDP growth rate, export growth, R&D expenditure, industrial investment and earnings performance gave Denmark a low ranking when compared with other industrialised countries.

Denmark was one of the 10 nations examined in Porter's original study. His Danish associate, Henrik Pade, together with a research team, has carried out one of the most comprehensive Porterite studies done anywhere.

Porter observed that industrial success can often be fitted into a framework – the Porter "diamond" – which comprises four main parameters. These include: strong rivalry among firms in a domestic market; the development of a flora of back-up industries and services; a demanding domestic market, which forces firms to produce high quality goods; and factor endowment, or raw material resources. This latter is, however, not the most crucial factor for success.

Denmark has many telling examples of industries which support the Porter analysis:

■ The meat and dairy industries developed into big league export industries a century ago when Denmark, alone on the Continent, refused to protect farmers against cheap corn from America.

They remain strong today. Denmark's exports of milk and cheese account for about 12 and 9.5 per cent of world exports; its share of world bacon exports is 43 per cent, and pigmeat and canned pigmeat about 25 per cent, according to Mr Pade's study.

■ The Danish share of the world market for frozen fish fillets is about 16 per cent, well ahead of any other nation, and its share of world fresh fish exports is 12 per cent, second only to Norway.

■ Success in one industry often leads to success in related industries.

In Denmark's case, the development of the agricultural industries led to success in the bio-science industries, pharmaceuticals, enzymes and food ingredients companies.

The Danes say there is a higher concentration of bio-scientists within a 30km radius of Copenhagen than anywhere except Boston and Basle.

In pharmaceuticals, they are working for companies such as Novo Nordisk, which shares the world market for insulin with two others: an American company, Lundbeck, a specialist in drugs for treating disturbances of the central nervous system, and Leo. Novo Nodisk is also the world leader in production of industrial enzymes.

Denmark boasts a clutch of other important food ingredients specialists, such as Christian Hansens Laboratorier, which dominates the world market for the enzyme necessary for cheese manufacture; Grindsted Products (part of the Danisco group); and Kobenhavns Pektinfabrik (now American-owned).

■ The furniture industry, which was inspired by a generation of excellent designers in the 1930s and 1940s whose work meshed with a traditionally skilled cabinet-making industry, accounts for 20 per cent of exports of furniture by EC countries, although Denmark comprises less than 2 per cent of the EC's population.

■ Shipping and shipbuilding have a symbiotic relationship. The biggest yards, Danyard in Jutland and Odense Steel Shipyard at Lindo on Funen, are owned by the biggest shipping companies, the Lauritzen Group and A.P. Moller.

A.P. Moller, which owns or manages more than 150 vessels and more than 50 drilling rigs, is the largest privately owned shipping company in the world. It has a particularly strong position in world liner traffic, where its container-carrying capacity is the second-largest. Lauritzen is the world's number two in refrigerated cargo transport.

Denmark is the world's third largest shipbuilder after Japan and Korea, with a new building programme in mid-1991 of 2.1m gross registered tons

Denmark is the world's third largest shipbuilder after Japan and Korea, with a new building programme in mid-1991 of 2.1m gross registered tons (GRT). The Danish shipyards are known for their innovative abilities.

■ High standards demanded by the Danish health and hospital service have helped develop some outstanding companies in the medical equipment field. They include four hearing aid companies with a 25 per cent share of the world market, Radiometer, a listed company which is a leading producer of blood analysis equipment, and Coloplast, also listed, which began as a supplier of colostomy bags and has diversified into many other related products.

Michael Porter's work has interesting things to say about the past, but Danish industrialists are not convinced he is giving them the right message about the future, since Professor Porter, as he told a conference in Copenhagen this autumn, is not in favour of mergers between competing firms.

The Danish industrialists feel that Danish companies in general are too small to be successful in the competitive world of the European single market.

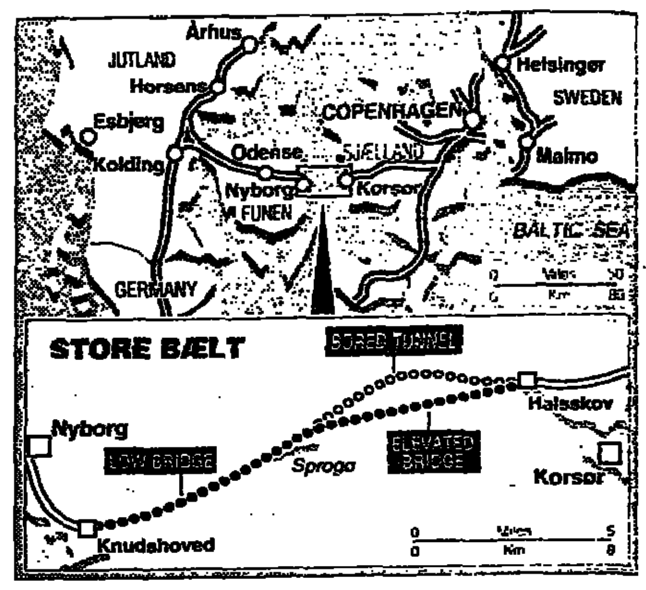
Thus, the past two or three years have seen a strong tendency towards mergers. Novo and Nordisk Gentofte, past arch-competitors in insulin production, merged to form Novo Nordisk. Danish Sugar, Danish Distillers and Danisco became the new Danisco.

There are only two large export dairying businesses left, MD Foods, which ranks as one of the largest in Europe, and Klover; and six big slaughterhouse groups, of which Danish Crown, Steff Houlberg and Vestjysk (West Jutland) are also among the biggest in Europe, as is the meat processing offshoot Tulip International.

Hilary Barnes

The Great Beltway is a dream come true – but the construction process is turning into something of a nightmare, writes **Robert Taylor**

The bridge over the Danish sea



PASSENGERS making the hour-long ferry journey between the islands of Funen *and Zealand can already see* the start of the Great Beltway, which will become one of the longest and most complex road *and rail links in the world* during the second half of the 1990s.

The first concrete caissons or feet for the west bridge are being swung out by giant crane from the shore and placed on the sea bed.

In two to three years' time it will be possible to travel on a train by bridge and tunnel across the 18km of water separating east from west Denmark. By 1997 – if all goes according to plan – the entire connection for road and rail traffic will be completed.

The magnitude of the DKr19bn scheme is breathtaking. "This is the realisation of an old dream,"

The idea of a fixed link between Zealand and Funen has been discussed for nearly 150 years

says Mr Mogens Bundgaard-Nielsen, chief executive of Great Belt AS, the company formed to supervise the project. The idea of a fixed link between Zealand and Funen has been discussed for nearly 150 years.

The construction will consist of three parts:

■ There will be an 8km DKr3.1bn bored railway tunnel between Zealand and the tiny island of Sprogo which lies in the middle of the Beltway, which will be the second longest undersea bored tunnel in Europe after the Channel Tunnel. Work started on that this part of the project in November 1988 from Sprogo.

The MT group which has the contract is made up of the Danish group Monberg & Thorsen, Campenon Bernard *and SOGEA from France*, Dyckerhoof and Widmann from Germany, and the US company Kiewit Construction.

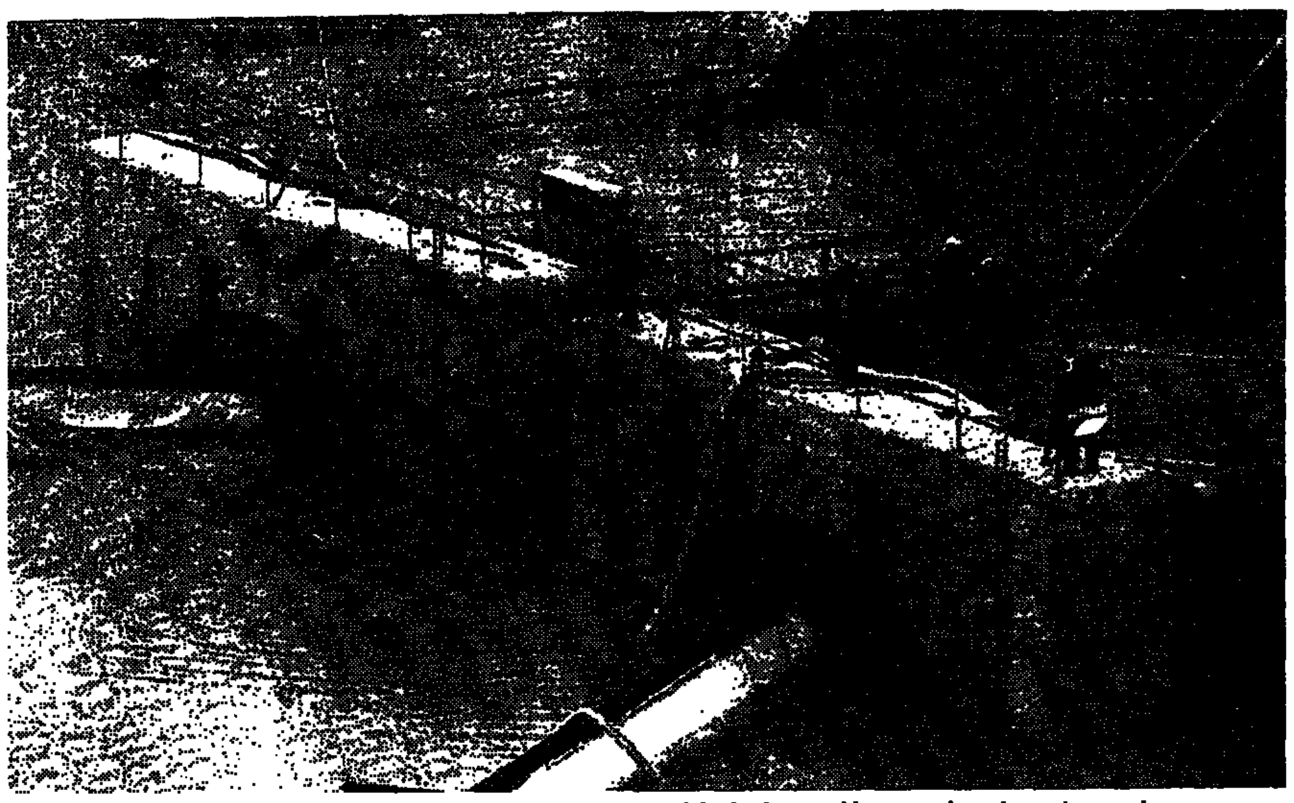
■ *The DKr3.1bn west bridge* will be a 6.6km construction from Funen to Sprogo and the longest combined road and rail bridge in Europe, with four motorway lanes and two rail tracks. The contract for that was won in June 1989 by the European Storebaelt group, consisting of Taylor Woodrow from Britain, Losinger from Switzerland, the Dutch company Ballast Nedam, and three Danish companies: Hajgaard and Schulta, C.G. Jensen, and Per Aarsleff.

■ A 6.8km DKr5.3bn elevated east bridge is to be built for road vehicles from Sprogo to Zealand on a four lane highway. With a free span of 1,624 metres and navigational clearance of 65 metres, it will *become the world's longest* suspension bridge – at least until the Japanese finish the Akashi-Kaikyo bridge by 1998.

Two consortia won contracts last month to build it. They are made up of three German engineering companies: Hochtief, Wayss and Freytag AG, and DSD Dillinger Stahlbau GmbH, along with HBW (Hollandsche Beton- en Waterbouw bv, a subsidiary of Hollandsche Beton Groep) of the Netherlands.

The bridge superstructure will be built in steel by CMF Sud SpA of Italy in association with Steinmann of the US.

Once complete, the Great Belt will link up the country over its busiest shipping lane, which connects the Baltic sea with the Kattegatt.



In mid-October water flooded the tunnels. There is anxiety that two of the boring machines may have been damaged

If all goes according to plan, by the end of this decade there will also be a road and rail bridge over the waters of the Oresund between Denmark and Sweden, linking up Copenhagen with the Swedish city of Malmo. The parliaments of the two countries approved the proposal earlier this year.

Finally there is the prospect of a bridge to link up the island of Lolland in south-east Denmark with the mainland of Germany. This has not yet left the drawing board, but it would mean the completion of the physical integration of the shattered country of Denmark into the European continent.

For the time being, however, it is the Great Belt which is the focus of national attention.

Perhaps inevitably, the ambitious Great Belt project has been plagued with controversy from the beginning. In April 1985 the Danish government first unveiled draft proposals for its construction, but it was a further two and a half years *before tendering began for the* western bridge part of the construction.

In August 1989 it fell foul of the European Commission, which asked the European Court to order the Danish government to suspend the DKr3.1bn contract awarded to the European Storebaelt Group (made up of Dutch company Ballast Nedam, Losinger of Switzerland, Taylor Woodrow of the UK and three Danish companies) on the grounds that it flouted the Rome Treaty *by specifying Danish labour* would be used in the building of the bridge, and named the Danish suppliers to be used for the supply of steel, cement and coarse filling.

More trouble followed in June 1990 when Mr Martin Bangemann, the EC's internal market commissioner, complained to the Danish government that two construction companies – Bouygues of France and Cogefa of Italy – had been left off a list of successful tenderers for the Great Belt's eastern suspension bridge.

In June this year the Finnish *government expressed concern* that the 65 metre clearance height of the eastern suspension bridge will be too low to allow oil drilling rigs through the straits. A complaint was *filed to the International Court* in the Hague. Helsinki argued that the work of Rauma Repolla, the ship building company, would *be affected*, and Denmark's international treaty obligations to permit the free passage of shipping across the Beltway would be contravened. The court came out in support of the Danish case.

In addition to international headaches, the Great Belt project has been troubled by the late arrival of the four tunnel boring machines, and their costly breakdowns. The tunnel is 13 months behind *schedule. Also, the tunnel – to* be made up of two parallel tubes each 7.4km long – was flooded to a depth of 7 metres a *month ago, which threatens to* further hold up progress. Two of the boring machines are under water, and there are anxieties that they may have been damaged. So far only 1,100 metres of the total 14,800 metres have been bored.

Some builders feel the tunnel should have been a submerged construction rather than bored. However, environmental sensitivities have needed placating. "We did a good deal of work of persuasion with green groups before the project started," and this took some of the heat off the project, says Mr Bundgaard-Nielsen. The sand and stone being used in the construction is coming from the bottom of the sea in the Belt way.

"This is one big recycling operation," says Mr Bundgaard-Nielsen.

Once the Great Belt is completed, it will have a *dramatic impact on travelling* times across fragmented Denmark. A journey which now takes an hour on a ferry will be cut to between seven to 11 minutes. The 5 hours'

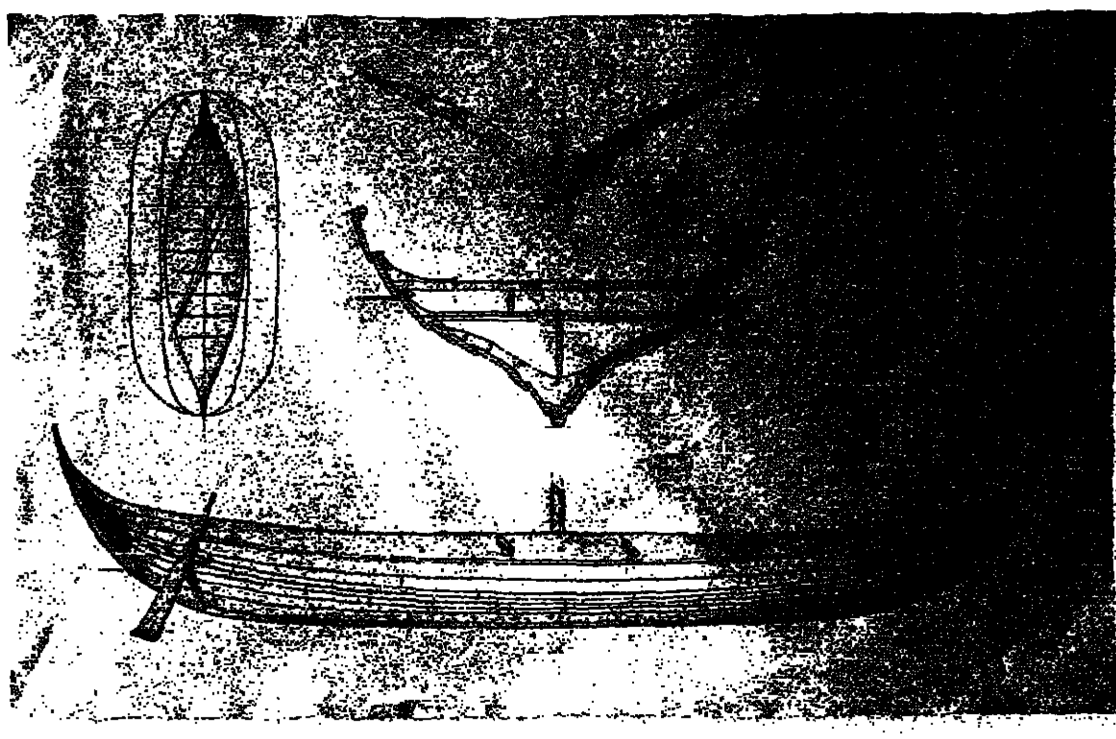
Forecasts suggest the investment will soon be recovered – and *the Belt will become* a money-spinner

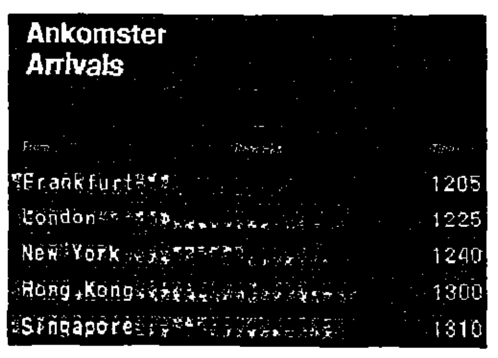
travelling time from Copenhagen to Aarhus, for example, will be cut to 2 hours 30 minutes.

Forecasts suggest the builders will soon recover their investment. The number of vehicles using the belt is expected *to reach 14,500 a day* in 1997, more than double the 6,000 using the ferries today. From 1994 an average of 200 trains will cross the link every day.

The annual rate of increase in link usage after 1997 for passenger cars is expected to be 1.4 per cent and for lorries 2.2 per cent.

The builders also believe the Great Belt will become a money spinner. There is to be a toll charge which is in line *with current ferry charges*, and it is expected the debt for the road link will have been repaid by 2013. The rail link debt will *be fully amortised by 2024.*





PROFILE: Christian Hansen

Cheesey smiles

IT WAS a piece of good luck for Christian Hansen's Laboratorium that it could not continue to supply its customers abroad during the first world war, said Mr Steen Engel, managing director. It had to set up production plants abroad instead, which meant that in the following deades the company had an exceptionally *strong position in international markets.*

The CHL group, founded in 1874 to produce rennet, a vital ingredient in the manufacture of cheese, has never looked back. It developed an industrial process for the production of rennet from calf and cow stomachs, and remains the world's leading supplier of rennets for cheese-making, with production in 12 countries on four continents.

CHL, a listed company, had a 1989-90 turnover of DKr9090m and pre-tax profits of DKr79m. Its equity-to-assets ratio is a sound 58 per cent. Group employment is about 1,200.

Like many successful Danish companies, CHL is closely *associated with the agricultural* sector and developed in step with the success of Danish dairy exports and as part *of the research climate which* this generated. Its main research centre is at the group's headquarters north of Copenhagen, but it also carries out systematic research at its companies in Milwaukee, USA, and Arpajon, France.

CHL remains a niche company, with a large share of a small market, but in recent years the group has branched out into new lines of production. CHL itself produces a variety of bacterial cultures *and skimmed milk cultures in* addition to rennet (which it now also makes by gene technology), as well as enzymes *used in the production of sausages*, bread, and wine. Natural colouring – the ingredient

Rennet and allergies are not as distant as they might seem

which ensures the butter is always the same yellow – is another CHL speciality.

Two new divisions have been added to the group: Christian Hansen Bio Systems, which produces biological products to replace chemical ingredients in agriculture and horticulture, and ALK, a leading company in the prevention, diagnosis and treatment of allergies.

The relation between rennet and remedies for allergies is not as distant as it might seem, said Mrs Elisabeth *Budolfsen, managing director* of ALK. Protein chemistry is the name of the game in both cases, a field in which Danish scientists are traditionally strong.

Allergies seem to be on the increase, and some of them have serious consequences. More people, for example, are dying of asthma. Nobody knows why allergies are increasing, but the many pollutants to which modern man is exposed may have made *people less resistant to such* allergens as mites, housedust, cats, and so on, said Mrs Budolfsen. ALK has worked on *allergies since 1923 and* was acquired by CHL in 1979. It was the first company to introduce a broad range of standardised allergen extracts, and is a leader in the field of insect venom allergen products.

ALK's subsidiary, Vespa Laboratories, in Pennsylvania, is the only supplier of the raw material used to produce the allergen against wasp and bee stings, so it was probably instrumental (CHL confesses that it can't be absolutely certain) in saving the life of US President George Bush earlier this year. When stung by a bee while playing golf, Mr Bush *exclaimed that 10 years previously* a sting would have killed him. Immune therapy has removed the danger.

CH Bio Systems produces microbes to attack insects in greenhouses; enzymes to improve the digestive process in *dairy cattle* and poultry; and to get back to the dairy industry, a lactic acid bacterial product which prevents travellers from being afflicted with tummy troubles.

Hilary Barnes

Towards a cashless society

Plastic revolution

DENMARK will take a significant step towards a cashless society in the autumn of 1992 when a new type of card for use in vending machines, pay phones, parking meters, laundries, and so on, will be introduced.

The unique feature of the new card, which will be a *pre-paid, non-personalised* card, is that it will be an open system. This means the card can be used in a wide range of payments and not, for example, only for parking meters. After a trial period, it will be useable everywhere.

Each time the card is used, the amount will be deducted and the cardholder will be able to see how much money is left on the card.

The first generation of cards will be disposable once the issue sum has been used up, but later cards will be rechargeable, at a terminal, for a further amount. The next generation of cards will have a memory, enabling a variety of subscription service charges to be paid through the card, such as access to the tennis court or soccer ground, or a season ticket for use on buses and trains.

The card is being established by Copenhagen Telephone on behalf of all the telephone companies, and PBS, the common clearing company for all the banks and savings banks.

These were the same organisations which backed the establishment of a single, nationally useable payments card, Dankort, which is an on-line electronic funds transfer system.

Dankort is now widely used to draw cash from dispensers and for making retail payments.

The special feature of the new card is that it is accepted by all the banks and savings banks (which issue the cards to customers), so Danes only have to carry one piece of plastic for most transactions. In others words, the Danes have shown an ability to co-operate when introducing the card systems, which has rationalised the process both for the financial institutions and for the cardholders.

But, it was said at the Banker's Association, it is not pure idealism that has enabled the financial institutions to get together to introduce a rational system. For a small country, this is a much less costly alternative than if each of the big banks were to issue their own exclusive cards.

Hilary Barnes